SERIALS DIVISION

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| Austria | Sch24 | Iran | [illegible] | Pakistan | [illegible] |
| Bahrain | Din0.750 | Israel | Shk3.50 | Philippines | Pso40 |
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| Cyprus | C£0.80 | Jordan | JD1 | Portugal | Es165 |
| Denmark | DKr12.00 | Korea | Won 2000 | Qatar | QR8.00 |
| Egypt | E£3.25 | Kuwait | Fils.600 | S.Arabia | SR7.00 |
| Finland | FM8.50 | Lebanon | L£300.00 | Singapore | S$4.10 |
| France | FFr7.50 | Lux | LFr55 | Spain | Pta165 |
| Germany | DM2.60 | Malaysia | M$4.25 | Sweden | SKr12 |
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| Indonesia | Rp3100 | Oman | OR1 | UAE | Dh7.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Wednesday November 14 1990

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**CHINA**
Forging a new five-year plan
Page 7

## World News

### Senators say Congress must approve Gulf action

Two leading US Republican Senators called for a special session of Congress to seek approval for US military action in the Gulf amid rising public concern that America may be sliding closer to war with Iraq. The White House said a recall of Congress was not necessary. Page 18

**UK to shut bases**
Britain is to close two Royal Air Force bases at Wildenrath and Gutersloh in West Germany from 1992. Flying activity will reduce progressively from next year. Page 18

**Gatt under siege**
Thousands of angry European farmers laid siege to the headquarters of the General Agreement on Tariffs and Trade in Geneva in protest at efforts to cut agricultural supports. Unbridgeable gulf, Page 4

**British pilot killed**
A British pilot was killed when his fighter-bomber, assigned to the multinational force in the Gulf, crashed in the Saudi desert on a training flight.

**Winnie Mandela hurt**
Winnie Mandela, wife of African National Congress leader Nelson Mandela, was hit by a tear gas canister fired by police while she was visiting a township near Pretoria.

**Singapore-US pact**
Singapore prime minister Lee Kuan Yew and US vice-president Dan Quayle signed a pact allowing greater US access to the island's military facilities.

**Poll fraud claim**
Cuauhtemoc Cardenas, Mexico's most prominent opposition leader, demanded that local elections be annulled in two Mexican states where the ruling party claimed landslide victories amid widespread fraud charges.

**Ambush children die**
Colombian guerrillas ambushed a lorry carrying policemen and children back from a cycle race, killing five children and two policemen.

**Anger over report**
Human rights activists expressed anger at the outcome of a South African judicial inquiry which exonerated police after allegations that anti-apartheid activists were killed by official death squads. Page 7

**Irish leader quits**
Alan Dukes, leader of Ireland's main opposition party, Fine Gael, announced his resignation after his party's dismal showing in last week's presidential election. Lenihan successor, Page 3

**Caught in the act**
Three French police officers suspected of involvement in several armed robberies were arrested trying to hold up a bank in Lyon.

**Israeli shot dead**
A Jordanian teenager shot dead an Israeli soldier near a Jordan River guard post and an Arab attacker stabbed two policemen in Jerusalem.

**Typhoon sinks ships**
The strongest typhoon to hit the Philippines this year sank a number of ships and forced thousands to flee. Winds reached 125 miles an hour.

**Death for forgery**
Lu Yiping, 21, a clerk for China's national airline has been sentenced to death for forging tickets to obtain money which she spent on jewellery and a motorcycle.

**Picasso gift**
French president François Mitterrand gave Spanish prime minister Felipe González two paintings by Pablo Picasso which the late painter wanted returned to his native Spain after his death.

## Business Summary

### Japanese retail banks agree terms for merger

Kyowa Bank and Saitama Bank, two leading Japanese banks, announced plans for a merger which would create the eighth largest commercial bank in Japan in terms of deposits and the 19th largest bank in the world.

The move is the latest in a wave of consolidation in the Japanese banking industry as groups try to respond to the pressures of financial deregulation in Tokyo. Page 19

**MARKETS:** Wall Street: Dow Jones Industrial Average was 5.70 lower at midsession at 2,534.65. Frankfurt: DAX index closed 0.67 up at 1,402.91. Tokyo: Nikkei average closed with its eighth highest gain ever of 1,041.87, or 4.5 per cent, to 23,973.67. World Stock Market reports: Back Page, Section II

**BANK** of Ireland chief executive Mark Hely Hutchinson, resigned after his bank suffered heavy losses in its two major overseas operations, the UK and the US. Pre-tax profits plunged from I£93.5m ($169m) in last year's first half to September 30. Page 19; Lex Page 18

**S.G. WARBURG,** one of the UK's leading investment banks, reported interim profits of £66.3m ($129m) before tax, a fall of 35 per cent on the same period last year. Page 19; Lex Page 18.

**BRITAIN** unveiled far-reaching proposals to increase competition in the UK telecommunications industry. Details and Lex Page 18

**CENTRAL BANK** governors of the 12 European Community states yesterday agreed the draft statutes of a future European central bank, although Britain expressed reservations. Page 18

**HOECHST,** German chemical giant, reported a 22 per cent slump in earnings for the first nine months of 1990. Page 20

**EUROPEAN** Community anti-dumping rules came under strong fire again following the announcement of new curbs on Far Eastern audio cassette imports. Page 18

**OLIVETTI,** Italian computers and office equipment group, is planning to lay off about 7,000 of its 55,000 workers worldwide in response to the current downturn in the international computers business. Page 19

**HUNGARIAN** state privatisation body yesterday approved a bid by Sanofi, the pharmaceuticals subsidiary of France's Société Nationale Elf Aquitaine, to take a dominant stake in Chinoin, Hungary's second largest pharmaceuticals company. Page 4

**BANK** for International Settlements says the crisis in the Gulf could have severe repercussions on the world economy and the stability of the international financial system. Page 23

**VIRGIN** Atlantic Airways, UK carrier, charged rival British Airways of uncompetitive behaviour to try to damage his airline's long distance services from Gatwick airport. Page 11

**NEWS** Corporation shares gyrated on the Australian Stock Exchange as a spate of rumours about the outcome of talks with the company's bankers swept the market. Page 20

**INDONESIA** has awarded a politically sensitive telecommunications contract to American Telephone and Telegraph (AT&T) and a partnership between Japan's NEC and Sumitomo corporations. Page 4

**UNITED** Press International, US news agency, faces possible liquidation at midnight on Saturday unless journalists and other staff accept a 90-day pay cut of 35 per cent by Friday. Page 20

## Prime minister's grip on power in grave doubt ● Heseltine set to announce challenge

# Howe blasts Thatcher on EC

By Philip Stephens, Political Editor, in London

Former deputy prime minister Sir Geoffrey Howe addresses parliament yesterday

MRS Margaret Thatcher's grip on the leadership of Britain's ruling Conservative party was in grave doubt last night following a devastating attack by Sir Geoffrey Howe on her approach to European integration.

The former deputy prime minister warned that Mrs Thatcher's stance posed "serious risks for the future of the nation". This is expected to be followed today by the announcement of a direct challenge to her by Mr Michael Heseltine in the annual party leadership election next Tuesday.

Mr Heseltine's supporters, who met last night for a strategy session, indicated that he would make an announcement this morning. They predicted that Sir Geoffrey's speech could mark the start of an unstoppable bandwagon against Mrs Thatcher.

The instant reaction of many Conservative members of parliament and ministers was that almost whatever the result of that contest, Sir Geoffrey's speech had left the prime minister seriously, possibly fatally wounded. "It is the end", one minister concluded.

The prime minister's camp, however, insisted that she would fight to the last and that they were confident she would beat off any challenge.

Some senior ministers echoed the views of many of the government's backbench MPs that the contest raised the prospect of a bloody civil war which might tear the party apart.

In a 19-minute speech which had the House of Commons transfixed, Sir Geoffrey said that Mrs Thatcher's implacable opposition a single European currency posed "serious risks for the future of the nation".

Just 10 days after his resignation as deputy prime minister, he blamed the government's present economic troubles on her refusal for many years to take sterling into the EMS exchange rate mechanism.

He attacked what he said was her constant habit of undercutting agreements that had been carefully worked out in the Cabinet and warned that her threat to veto the plans of Britain's partners for economic and monetary union risked leaving Britain isolated in Europe.

Sir Geoffrey revealed also that Mrs Thatcher had agreed to the conditions which led eventually to British participation in the ERM only after he and Mr Nigel Lawson, then Chancellor of the Exchequer, had threatened to resign.

In what was seen as a direct encouragement to Mr Heseltine to stand for the leadership, he concluded : "The time has come for others to consider their own response to the tragic conflict of loyalty with which I have myself wrestled for perhaps too long."

With Mr Lawson at his side on the government backbenches, Sir Geoffrey made clear from the outset that he no longer believed Mrs Thatcher's leadership served the interests of the party or the country.

He said that the substance as well as the style of her approach to European integration risked Britain's partners going ahead without the UK. That would threaten the business community, jeopardise the future of the City of London and alienate the young.

Echoing the views of the former chancellor he said: "For, as Mr Lawson has explained, the real tragedy is that we did not join the exchange rate mechanism at least five years ago.

That was, as he also made clear, not for want of trying."

He reserved his fiercest indictment, however, for Mrs Thatcher's stance ahead of the negotiations with Britain's partners later this year on Economic and Monetary Union.

Singling out her refusal to negotiate on a single currency, he quoted Mr Harold Macmillan, the former prime minister, who had argued as long ago as 1962 that Britain had to play a central role in the Community:

"He saw it as essential then – as it is today – not to cut ourselves off from the realities of power, not to retreat into a ghetto of sentimentality about our past and so diminish our own control over our own destiny in the future."

Sir Geoffrey accused Mrs Thatcher of directly undercutting the plan of Mr John Major, the present chancellor, for a "hard Ecu" in place of the Delors plan for a single currency.

Adapting a cricketing metaphor used by Mrs Thatcher in a defiant defence of her leadership earlier this week, he said that her actions were like: sending her "opening batsmen to the crease only for them to find, the moment the first balls are bowled, that their bats had been broken before the game by their team captain."

Sir Geoffrey then added: "The real threat is of leaving ourselves with no say in the monetary arrangements that the rest of Europe chooses for itself – with Britain once again scrambling to join the club later, after the rules have been set, and after the power has been distributed by others to our disadvantage. That would be the worst possible outcome."

In an oblique comment at the end of his speech, Sir Geoffrey left open the possibility of supporting Mr Heseltine.

Before Sir Geoffrey's speech, Mr Heseltine's campaign managers had said that they could count on about 100 to 120 of the 372 Tory MPs eligible to vote in Tuesday's elections.

Background, Page 10; Howe to sink the Iron Lady, Page 17

# Yeltsin says Gorbachev agrees to a coalition government

By Quentin Peel and Leyla Boulton in Moscow

MR Boris Yeltsin, president of the Russian federation, said yesterday that President Mikhail Gorbachev had agreed in principle on the creation of a coalition government of national unity, representing all 15 Soviet republics.

Mr Yeltsin refused to be drawn on any timetable. The new government would be based on representatives from all the republics rather than from political parties.

The Soviet leader had also given his blessing to the creation of a Russian foreign trade bank, backed by Soviet gold reserves, and a new Russian security service to replace the KGB in the country's largest republic, Mr Yeltsin said.

The idea of a coalition government could fit in with suggestions by senior officials that the present form of government may vanish with the signature of a planned new union treaty with far-reaching devolution of powers to the republics. That would provide a convenient way for Mr Gorbachev to dismantle the existing government led by Mr Nikolai Ryzhkov without leaving a power vacuum.

President Gorbachev's spokesman denied yesterday that it meant that the Soviet leader was ready to dismiss his current prime minister.

Mr Gorbachev himself spoke out yesterday against demands by individual republics to set up their own armed forces and insisted that military conscription must remain the basis of the Red Army. In doing so he set himself against military reformers and against non-Russian nationalists who want to break up one of the last large institutions for which membership is drawn from across the country.

Emerging details of a five-hour meeting at the weekend between Mr Gorbachev and Mr Yeltsin, the two most powerful figures on the Soviet scene, suggested that they have managed to find significant areas of common ground on both economic and constitutional reform.

An alliance between the two political rivals is seen as critical for the success of Soviet economic reform, and for the negotiation of a new union treaty laying down the future relations between the central government and the individual

Continued on Page 18

Leningrad delays rationing, Page 2

# US Congress 'will reject EC farm proposals'

By Peter Montagnon, World Trade Editor, in London

AN AGREEMENT to reform world agriculture on the basis of current European Community proposals "would be rejected out of hand by the US Congress," Mr Clayton Yeutter, US secretary of agriculture, said in London yesterday.

There was no chance of completing the Uruguay Round of multilateral trade negotiations unless the EC substantially improved on its offer to cut subsidies by 30 per cent, he added.

It would be an illusion to suppose that the EC offer embodied real reform. "The fact is that there isn't much there," he said.

The US could not accept an agreement that allowed for increased protection against imports of oil seeds and corn gluten feed; introduced exchange rate protection for the first time in the history of the General Agreement on Tariffs and Trade; maintained preferential treatment for European farmers on Community markets; and allowed export subsidisation to continue with impunity.

Mr Yeutter said he could not understand why the current EC proposals had proved to be so unpopular with European farmers. "There isn't anything to be politically unpopular about them."

He dismissed suggestions by Mr Ray MacSharry, EC farm commissioner, that the US proposal to cut domestic subsidies by 75 per cent differed little from that of the EC in practice because it was calculated on a different basis.

If that were true, Mr MacSharry "should accept our proposal and we would have an agreement immediately," he said. The difference in numbers was important but not the only issue at stake. "We must have meaningful reform and not simply nibbling at the edges. The numbers are important only when one achieves a substantive policy structure."

He added that the EC would be mistaken if it assumed that the Bush administration could not sell its own proposals at home. "We've already sold it. These kind of restraints are incorporated in our 1990 Farm Bill" which Congress has passed, he said.

Warning that time was running out for the Uruguay Round, he said that the full text of the final agreement must be presented to congress by March 1. It would not be possible to present only an outline agreement by this deadline, although this was the pattern set by the 1988 US-Canada free trade agreement.

The Senate finance committee and House ways and means committee had said they would no longer accept that kind of approach, he said.

Failure of the Uruguay Round would mean that the US would have to defend vigorously its interests in farm trade. It would not be vindictive but trade wars would start quickly.

Farm reform gap unbridgeable, Page 4

# CS Holding to pay $300m for control of US banking affiliate

By Stephen Fidler, Euromarkets Correspondent, in London

CS HOLDING of Switzerland, parent of Crédit Suisse, the country's third largest bank, is to spend $300m to take majority control of its investment banking affiliate, CS First Boston.

The move, prompted by losses at its US subsidary, First Boston, is accompanied by other actions which will raise to almost $900m the funds CS Holding has injected into the firm in the past year.

Its stake in CS First Boston will rise to about 60 per cent from 44.5 per cent. It is the first time that a foreign company has taken majority control of a large Wall Street securities house.

The fact that CS Holding also owns a bank will be seen as an important further breach in the Glass-Steagall Act in the US, the law which has separated commercial and investment banking in the US for nearly 60 years. The move has Federal Reserve approval.

The change will also result in the Zurich holding company reassuming the majority ownership of Financière Credit Suisse First Boston, the European investment bank, which it gave up in a reorganisation effective at the start of last year.

CS Holding will directly inject about $300m of new equity capital into the affiliate, CS First Boston Inc. It will take control of the board: It currently has one director out of five; it will now have six directors out of 10.

It will also put $219m into a special partnership to take over a large proportion of First Boston's troubled bridging loans which have been at the root of the firm's growing liquidity problems.

CS Holding will also inject $250m in problem loans to Ohio Mattress which it took over at face value earlier in the year. Metropolitan Life, the US insurance company which owns a stake in CS First Boston, is also expected to commit resources to this partnership. Earlier in the year, CS Holding injected $125m in subordinated notes into the company.

CS First Boston will receive a stake in the partnership and $425m in cash, and its bridge loan exposure will be reduced to about $377m from about $1.1bn.

But in addition, First Boston, which has been making operating losses this year in the US, will take additional reserves of $360m relating to its remaining bridge loans and some other problem assets, such as real estate.

Mr Peter Kupfer, a member of the executive board of CS Holding, said that the moves would shrink the US bank's capital to about $600m. It stood at $840m at the end of last year.

He said he believed that the Federal Reserve's permission for the move reflected, in part, "a change of sentiment in Washington over the last few months or so".

He said that while the permission placed some restrictions on First Boston – such as a limit on its equity holdings in non-financial companies to 5 per cent – the CS Holding board did not believe it would make much practical difference.

Continued on Page 18

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†Assuming interest rates move in line with government expectations.

## CONTENTS



**Noriega tapes dispute raises trial doubts**

Attorneys for General Manuel Noriega (left) argue that the former Panamanian leader will never receive a fair trial on drugs charges. But why are they pinning the blame on CNN, the television news channel?
Page 8

## MARKETS

**STERLING**
New York lunchtime:
$1.96435
London:
$1.9645 (1.9625)
DM2.9075 (2.905)
FFr9.7775 (9.7625)
SFr2.46 (2.4525)
Y254.5 (252.50)
£ Index 93.9 (94.0)

**GOLD**
New York: Comex Dec
$387.0 (383.3)
London:
$383.25 (382.0)

**N SEA OIL** (Argus)
Brent Dec
$32.95 (31.90)

Chief price changes yesterday: Page 19

**DOLLAR**
New York lunchtime:
DM1.47835
FFr4.9745
SFr1.2505
Y129.535
London:
DM1.48 (1.4805)
FFr4.9775 (4.975)
SFr1.2525 (1.25)
Y129.55 (128.70)
$ Index 60.1 (60.1)
Tokyo close: Y128.77

**US lunchtime rates**
Fed Funds $7\frac{11}{16}$%
3-mo Treasury Bills:
yield: 7.25%
Long Bond:
$102\frac{7}{32}$
yield: 8.54%

**STOCK INDICES**
FT-SE 100:
2,058.0 (+4.1)
FT Ordinary:
1,583.6 (+3.9)
FT-A All-Share:
992.08 (+0.2%)
New York lunchtime:
DJ. Ind. Av.
2,529.21 (−11.14)
S&P Comp
317.41 (−2.07)
Tokyo: Nikkei
23,973.67 (+1,041.87)

**LONDON MONEY**
3-month Interbank:
closing $13\frac{3}{4}$% (same)
Liffe long gilt future:
$84\frac{1}{16}$ ($84\frac{3}{32}$)

EUROPEAN NEWS

Councillors told even minimum supplies cannot be guaranteed this winter

# Leningrad delays food rationing

By Leyla Boulton in Moscow

LENINGRAD councillors were yesterday forced to put off a final decision on introducing food rationing because of opposition from the council's executive committee, which said it could not even guarantee minimum food supplies. It wants to raise prices and compensate the lower paid instead.

The council has proposed a monthly ration of 1.2kg of red meat per person, 10 eggs, and 500 grammes of butter.

Dr Marina Sallier, tough leader of the council's food commission, has threatened to go on hunger strike unless rationing goes ahead. "Raising prices will not stabilise the market. On the contrary, all it will mean is that the rich will be able to afford things and the poor will starve," she said in an interview last week. A conciliatory commission is supposed to come up with compromise proposals tomorrow.

Both Moscow and Leningrad councils have suggested rationing at least 10 basic foodstuffs to overcome chronic shortages this winter.

Moscow city council, which is also run by radicals, was yesterday discussing rationing as part of a wider package of economic reform including privatisation.

A senior official said, however, that no decision was likely on rationing before next week. "There is a wide range of opinions in the council and councillors may even vote against rationing," he said.

● The creation of a Soviet stock exchange with big ambitions was announced yesterday, a week after Russia launched its own.

Tass news agency said the latest Moscow exchange had been set up as a joint stock company by 187 enterprises and banks with the support of Gosbank, the central bank, and the Soviet finance ministry.

"This is an initiative from below which we want to encourage," said Mr Gennady Melikian, of the government's economic reform commission. "If it gets off the ground, it could form the basis of a main stock exchange."

Tass said members would be able to make up the cost of joining from annual trading profits and commissions on deals for non-members.

Mr Eduard Tenyakov, head of the Fininvest investment company told Tass that as privatisation gathered pace, Soviet shares traded could be worth Rbs180bn by mid-1991. But the figure appeared grossly over-optimistic as no state enterprise to date has been sold off to the public. Nor was it clear when the exchange might begin operations.

Lydia van der Meer

The red carpet is made ready outside No 10 Downing Street yesterday for President Vytautas Landsbergis of Lithuania who had talks with Mrs Margaret Thatcher

# Anti-mafia politician strikes out on his own

By John Wyles in Rome

THE proliferation of new parties in Italy continued yesterday. The country's most troublesome political hero, Mr Leoluca Orlando, the former anti-mafia mayor of Palermo, announced his intention of leaving the Christian Democrats and of launching his own political party.

His exit has looked increasingly likely since he failed to impose his will on the Sicilian Christian Democrats last June. He had tried to do so in the wake of communal elections which delivered him a personal vote of 90,000 in Palermo.

Mr Orlando was blocked by DC leaders from implementing a coalition formula, involving the Communists and the Greens, with which he had ruled for three of his five years as the first DC mayor genuinely dedicated to cleansing the city administration of mafia influence.

Although 42-year-old Mr Orlando is one of the most popular characters in Italy, he may find life decidedly chilly outside the DC.

Still protected by a police escort, he intends to found a broadly based party – one that would not be dominated by him alone.

The sole credential for its supporters, he says, is "honesty". This, he implies, is in short supply under the current DC leadership of secretary Mr Arnaldo Forlani and Mr Guilio Andreotti, the prime minister.

The latter's followers in Sicily are Mr Orlando's sworn enemies and have frequently been berated by the mayor for their alleged links with the mafia.

● Drivers faced long queues for petrol yesterday as station operators announced a three-day national strike, AP adds from Rome.

Reacting to the announcement that 34,000 petrol stations will be closed until Friday morning, motorists rushed to fill their tanks leaving many pumps empty.

Station operators are protesting against the heavy burden of federal taxes, which they say remove more than 60 per cent of their profits.

# Call for end to monopoly on European delivery services

By Tim Dickson in Brussels

THE European Express Organisation, a 28-strong group of companies which includes giants such as Federal Express, UPS and TNT, yesterday called for an end to national postal monopolies on delivery services between EC states.

In a discussion paper launched in Brussels, the group says it is inconsistent with the Treaty of Rome to restrict such services in the intra-Community market, and to distort competition by means of direct or indirect state aids, derived from public services.

The paper, aimed to influence Commission thinking before publication of Brussels' "green paper" next year, argues that competition from private operators will not damage post offices, that it will boost a declining market and benefit progressive post offices such as the UK's Royal Mail and the Dutch PTT "which have become more competitive and customer driven".

Besides the intra-EC market, the group identifies three other market categories: intra-state (within the larger member states), local (cities and their economic hinterland), and international (between the EC and the rest of the world).

The paper suggests that a higher level of competition would be appropriate, especially between post offices, for intra-state traffic, that national governments should decide policy for local delivery (equivalent to at least 70 per cent of post office business) while continuing with reforms, and that the EC should assume a more active role on behalf of the member states at international decision-making forums.

Other points include the protection of economically disadvantaged areas through direct EC financial aid and the overseeing of public interest standards and obligations by an impartial agency.

# Dutch cool to hard Ecu idea

By Alison Maitland in The Hague

BRITAIN'S plan for a hard Ecu is a "risky adventure" which will not resolve differences between the UK and its European Community partners over economic and monetary union, Mr Wim Kok, the Dutch finance minister, said in an interview yesterday.

Asked if he shared the German Bundesbank's rejection of the proposal, Mr Kok said the proposals of Mr John Major, the UK Chancellor, were interesting and had some "positive aspects".

But he added that "the question is whether the hard Ecu plan is an alternative for what the overwhelming majority of EC countries want to realise, namely, the introduction of a European central bank, one independent monetary authority, and one European currency.

"As long as the British are not in a position to accept the framework of that architecture we have a problem, and the hard Ecu plan is not really helpful in resolving that problem."

Last week Mr Karl Otto Pöhl, the Bundesbank president, described the hard Ecu and the European Monetary Fund proposed by Mr Major as "the worst possible recipe for monetary policy" in Europe, leading to suggestions that the plan might be thrown out at next month's inter-governmental conference in Romeon economic and monetary union.

# UK push for talks on wider single market

By David Buchan in Brussels

BRITAIN is proposing an expanded right of consultation for members of the European Free Trade Association (Efta), in an attempt to speed talks to extend the EC's single market to a 19-nation common economic zone.

The proposals are aimed at letting the seven Efta states in on the ground floor of the making of the EC decisions that will form the legislative core of the planned European Economic Area (EEA).

Mr Tristan Garel Jones, British European affairs minister, signalled the plan, at an EC Council meeting on Monday.

He won Danish support and German interest but evoked little enthusiasm among other EC states and the Commission.

Mr Jacques Delors, president of the EC executive, said that to let committees of 19 states proliferate would be inefficient at a time when many EC states were clamouring about the creakiness of their existing institutions.

Last week, Efta started to ask for transitions during which sensitive sectors such as fishing, farming and finance would adjust to free-market access and ownership rules of the EEA, with safeguards for vital Efta interests.

Up to then, Efta had talked of certain permanent exemptions from EEA rules. Mr Garel Jones called on other EC states to match Efta's flexibility.

The UK proposes the Commission should sound out Efta as well as EC experts before it makes a formal proposal, and Efta officials should sit on the EC working groups of national officials which scrutinise Commission proposals before EC ministers make up their minds.

Once EC ministers take a stand, and the European Parliament gets involved, it would be far harder for Efta to amend its position, the UK concedes.

Efta diplomats yesterday welcomed the thrust of the UK ideas, but said they were too focused on EC, rather than EEA, decision-making, and questioned whether Britain's EC partners would not see them as a British plot to dilute the Community.

# Berlin must pay for Italian student to study in Italy

By Lucy Kellaway in Brussels

BERLIN'S regional government is to pay for an Italian student to study medicine in Italy, following an important ruling by the European Court of Justice yesterday.

The ruling extends the principle of equal treatment for Community workers, regardless of whether they are nationals of the country they are working in. It lays down that the children of workers who live in a member state other than their own must have the same rights as the children of nationals.

This means that where nationals are eligible for university grants to study anywhere in the Community, EC non-nationals who live in that country must also be given the same privileges.

The Berlin authorities had refused the Italian student, who had lived with her parents in Germany for 25 years, a grant to study in Siena. Had she been a German, the money would have been provided. Berlin had claimed that as the money was to be spent outside Germany, it was not obliged to provide it.

The decision marks another step towards a removal of all barriers to free movement of people to work and study wherever they like in the EC.

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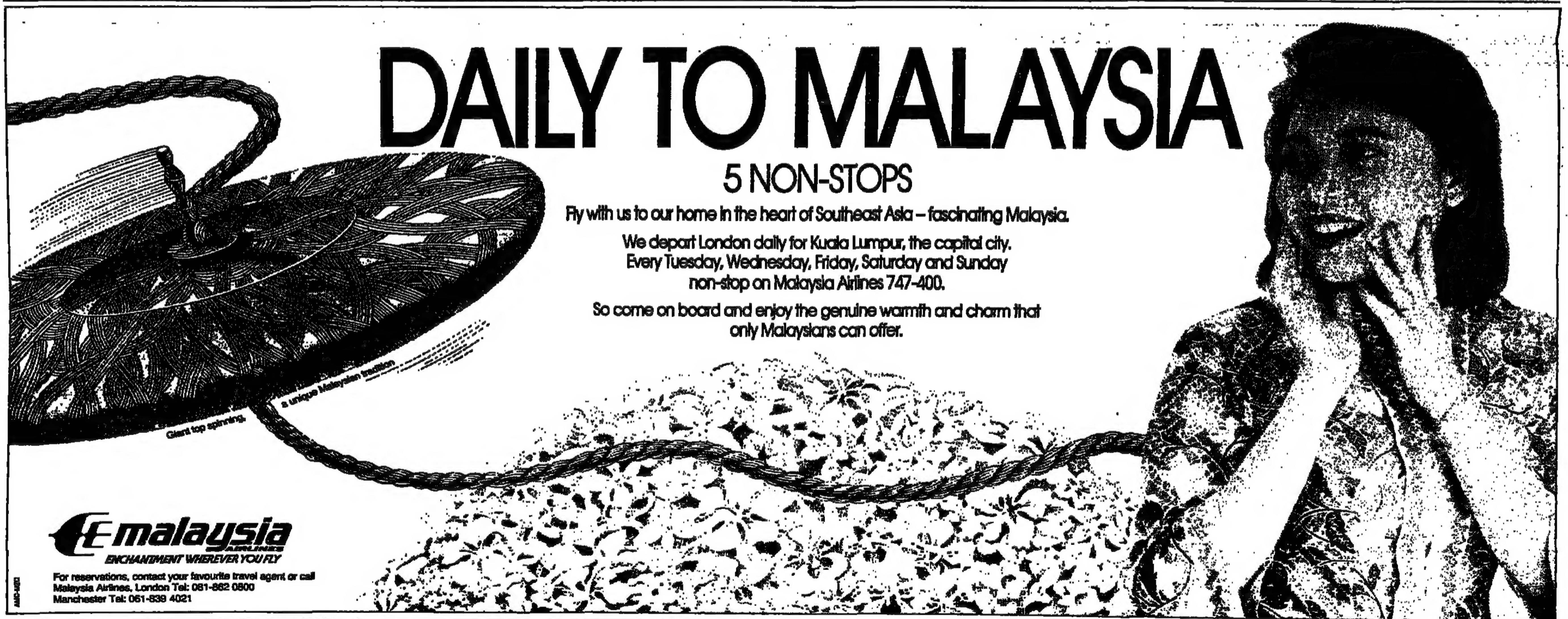


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# Big shake-out in European insurance seen

By Richard Lapper

UK INSURERS will lose out from European competition in the 1990s, predicts a study by the management consultancy group Arthur Andersen.

The survey, based on interviews with 420 senior insurance executives in 15 countries, forecasts a major shake-out as European insurance companies come under increasing competitive pressure both from banks and from insurers outside their home markets. Deregulation of the barriers separating banking and insurance, and the opening up of a single European-wide market, are the two main factors shaping the economic and legal environment for insurers.

The survey, which uses a detailed methodology known as the Delphi technique, is the first large-scale investigation into the European industry. Two previous Delphi surveys into the US insurance and the European capital markets industries produced extremely accurate results.

According to the current survey, foreign (mainly European) companies will have a 50 per cent share of the UK general insurance market by 1995 and 26 per cent of the life and pensions market. Many smaller companies in the very fragmented UK life market are likely to disappear. The number of life and pensions companies accounting for 80 per cent of premiums in the UK is forecast to drop from 50 to 29 by 1995. The number of general insurers is expected to fall across Europe with the sharpest contraction in Spain.

Along with the high potential under-insured markets of Spain, Italy and Portugal, the UK's market is likely to be a favourite target for expansionist European companies, the survey says, adding that French companies will be among the most aggressive.

Although the conventional wisdom is that European merger and acquisition activity is already at its peak, the survey suggests that takeovers are likely to become more rather than less frequent in the mid-1990s.

Banks are expected to continue to increase their share of the life insurance market. By 1995 it is thought that banks will control – either as insurers or distributors – 20 per cent of the European life and pensions market. In Spain and France, banks, which have entered the insurance market only in recent years, now write 90 and 50 per cent respectively of new life insurance business.

Growing consumer awareness of insurance, especially of life insurance in the Italian and Spanish markets, and the deregulation of many government pension schemes both present significant opportunities for growth. Insurers are likely to be in much more direct contact with their customers. The use of direct sales techniques – combining mass media marketing and telephone sales, along the lines practised by Direct Line and other companies in the UK – is expected to increase.

*Insurance in a Changing Europe 1990-1995, Economist Publications, 25 St James's Street, London SW1A 1HG*

President Richard Weizsäcker inspects a guard of honour during his state visit to the UK in 1986

# Coventry memorial falls under shadow of worsening Anglo-German relations

## Thatcher seen as behind UK's falling influence, writes David Marsh

IF ONE definition of sovereignty is a country's power to get its way in dealings with neighbours, then Britain's stock of this commodity seems to be in short supply. At least as far as its relations with Germany are concerned, Britain's influence over the past two years has fallen sharply.

There is a medley of reasons, ranging from the UK government's obduracy in 1989 over updating short-range nuclear missiles in Germany, to its distaste for the proposal of a European central bank. The most important single factor in the eyes of many Germans, is the personality of Britain's prime minister, Mrs Margaret Thatcher.

Today sees the staging of a memorial service in Coventry, attended by the Queen Mother and President Richard von Weizsäcker, to commemorate the 50th anniversary of the city's bombing by the German air force, the Luftwaffe. This act of reconciliation is, however, likely to open up only a chink of light through the clouds overhanging Anglo-German relations.

Mr von Weizsäcker – whose relationship with the British Prime Minister is marked by a hearty lack of cordiality – will be accompanied by Mr Karl-Günther von Hase, president of the German-English Society.

Mr von Hase is a former German ambassador to London, well-known for his open mind and Anglophile sympathies. He has been highly disturbed by Mrs Thatcher's well-publicised aversion to German unification, which the British Prime Minister has said on several occasions will lead to German "dominance" in Europe.

In a recent article in a German political magazine, Mr von Hase paid tribute to Britain's and Mrs Thatcher's own contributions towards what he called "the victory over communism". But he said, in unusually frank terms, that Britain's hesitations over reunification amounted to "a disappointment for many Germans".

Mrs Thatcher told Mr von Hase personally at a dinner in Cambridge in March: "You need another 40 years before we can forget what you have done." The ex-ambassador wrote that recent events had shown "throughout all parties and particularly in the older generation a firm hold on suspicions, prejudices and fears which Germans too optimistically had believed had been mainly overcome".

**The UK embassy has always known that, among Germany's neighbours, Britain would always take second place to France, but the gap in the league table seems to have widened further**

In previous years, the British embassy in Bonn knew that, among Germany's neighbours, Britain would always take second place to France in attracting Bonn's political attentions. But the gap in the league table since seems to have widened further.

After the anti-German outburst in July by Mr Nicholas Ridley, the former industry secretary, UK officials did not know whether to be hurt or pleased that the episode attracted only 28 critical German letters in the embassy mailbag. The inference was that Britain was no longer taken seriously enough for Germans to become excited over the matter.

During the summer, the Embassy wrote to the Treuhand, the Berlin-based agency charged with privatising east German companies, to suggest organising a seminar in London on investment in east Germany.

When, after several months, the agency failed to respond, British officials were unsure whether this reflected general disorganisation at the Treuhand or a disregard for UK industrial interest in east Germany.

In fact, following a recent meeting between Sir Christopher Mallaby, the British ambassador to Bonn, and Mr Detlev Rohwedder, the Treuhand chief executive, the seminar is now planned for the New Year.

Sir Christopher worked closely with Mrs Thatcher during a spell at the Cabinet Office between 1985 and 1988. German officials say that the ambassador is held in high regard by Chancellor Helmut Kohl.

None the less, Sir Christopher is believed to have focused strongly some of his earlier advice to London on reunification prospects on what the British Prime Minister wanted to hear, rather than what was likely to happen. Now that Britain and the rest of Europe are coming to terms with an enlarged Germany, Sir Christopher may find that his work becomes even more demanding.

# Sweden's bank chief to head BIS

By Robert Taylor in Stockholm

THE GOVERNOR of Sweden's central bank, Mr Bengt Dennis, has been appointed for a three-year term as president of the Bank for International Settlements (BIS).

Since he was made head of the central bank in September 1982 by Sweden's ruling Social Democrats, Mr Dennis has become the key figure in the country's financial liberalisation. He will remain as governor of the central bank.

Mr Dennis once said he did not consider himself an economist at all. Active in social democratic politics since his student days, he spent 14 years in the media, mainly as a business and political journalist in the party's press and on Swedish Radio, ending up as editor-in-chief of the Liberal newspaper Dagens Nyheter.

His opponents in the powerful trade unions question his Social Democratic credentials, blaming him for what they see as a policy in the 1980s that was too favourably disposed towards capital and hostile to the labour movement.

# Successor to Lenihan named

By Kieran Cooke in Dublin

MR JOHN WILSON, Ireland's Marine Minister, has been named deputy prime minister following the sacking by Prime Minister Charles Haughey of Mr Brian Lenihan. The move is part of the fall-out from the recent presidential election campaign won by Mrs Mary Robinson, the candidate of the Labour and Workers parties.

During the course of the election allegations were made that Mr Lenihan had told lies concerning events some years ago. To avert a government defeat in a vote of confidence and a general election, Mr Haughey sacked Mr Lenihan.

Mrs Robinson's victory has also precipitated a vote today on whether Mr Alan Dukes should remain as leader of the main opposition Fine Gael party. Mr Dukes has been strongly criticised by members of his own front bench and others within the party for what is seen as his ineffectual leadership, particularly during the presidential campaign. The Fine Gael candidate, Mr Austin Currie, polled less than 20 per cent of the vote.

# Anger as Papandreou faces bribery charge

By Kerin Hope in Athens

LEADING Greek Socialists yesterday set aside their differences and rallied in support of the former prime minister, Mr Andreas Papandreou, who has finally been summoned to answer criminal charges of bribery and breach of faith in the $200m (£103m) Bank of Crete scandal.

Mr Papandreou was ordered to testify before a senior investigating magistrate on November 22 in what could prove to be a climax to a 14-month inquiry led jointly by parliamentary prosecutors from the ruling Conservative and opposition Communist parties.

But there seems little chance the ex-prime minister will risk political humiliation by showing up for the hearing. He denies any connection with the bank scandal, which was instrumental in bringing down his government last year.

Senior members of the Panhellenic Socialist Movement (Pasok) are suggesting Mr Papandreou will simply send a scornful letter to the magistrate.

The legal response to such a move is not clear, since a former prime minister has never before been indicted by parliament. The new Pasok executive bureau, elected 10 days ago after bitter in-fighting had threatened a split in the party, were united in their outrage.

Two former Socialist cabinet ministers who testified earlier are now in jail awaiting trial on similar charges.

Two others who are now European parliament members cannot be summoned unless their colleagues in Strasbourg decide to lift their immunity to prosecution.

# Current account surplus in prospect for Denmark

By Hilary Barnes in Copenhagen

DENMARK APPEARS to be heading for a surplus on the current account of its balance of payments for the first time since 1963.

After the first nine months there was a surplus of DKr6bn (£540m) compared with a deficit of DKr4.3bn in the same period last year. A revision of the statistics for trade in services helped boost this year's surplus.

In 1986 the current account deficit reached DKr36bn and 5.2 per cent of gross domestic product, with the net foreign debt at 40 per cent of GDP. Since then, tight fiscal policy has generated a substantial trade surplus, but at the cost of high unemployment, which now stands at a seasonally adjusted 9.8 per cent.

● Danish politician Mr Mogens Glistrup was yesterday excluded from the Progress party he founded in 1972. Mr Glistrup announced the establishment of the Prosperity party at the weekend, although he said at the same time that the party had no members.

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# Farm reform gulf seems unbridgeable

**William Dullforce in Geneva explains why the US is so unhappy**

THE COLLAPSE of talks on the reform of world farm trade has brought into the open the yawning gulf that continues to exist after nearly four years of negotiations between the European Community, on one side, and the US and the Cairns Group of 14 farm-exporting nations on the other.

To judge by the comments of negotiators in Geneva, it will be very difficult for Mrs Carla Hills, US trade representative, and Mr Clayton Yeutter, agriculture secretary, during their visits to European capitals this week to find a compromise that can save the Uruguay Round trade talks.

US officials yesterday dismissed the claim by Mr Ray MacSharry, EC agriculture commissioner, that in overall annual reductions in internal supports for farmers the EC and US offers would prove to be similar.

The EC proposal contained no specific commitments on internal supports, they said. By insisting on using a non-transparent global measure of farm supports, the EC offered no guarantee that reductions would be applied evenly to all products.

Moreover, both US and Cairns Group negotiators argued, the EC was proposing no reductions in export subsidies and effectively no increase in access to its markets for imports.

Brussels' position on export subsidies would maintain the EC's ability "to dump every bushel of surplus production on world markets", one official commented.

Acceptance of Brussels' offer would effectively anchor the EC's trade-distorting common agricultural policy in the General Agreement on Tariffs and Trade and open the way for other countries to adopt it.

The gap ministers have to bridge in the next few days is not adequately reflected by the distance between the 30 per cent reduction mentioned in the EC offer and the US demand for cuts of 90 per cent in exports subsidies and 75 per cent in other forms of farm support.

A fundamental difference of approach deforms the whole question. The EC takes a "global" approach based on the use of an aggregate measure of support (AMS) covering all forms of farm assistance. The US and Cairns Group seek commitments to make cuts in three specific areas: export subsidies, import access and internal supports.

Under the EC offer action on export subsidies and partly on import access would derive from and depend on the AMS-based reductions made in internal supports. In the US view the EC approach creates obfuscation and allows too many sleight of hand devices to minimise real cuts.

For instance, the EC has accepted the "tariffication" principle under which all non-tariff barriers to imports are to be converted into tariffs and then progressively reduced. Under its proposal the tariffs would comprise a fixed component, calculated as the difference between a world market price and the average EC support price. This would be complemented by a corrective factor designed to offset fluctuations in exchange rates and excessive market prices.

However, critics point out, by using the Community intervention price as the support price, the EC offer effectively incorporates EC preferences into the fixed component. According to analyses based on the EC's own data for its internal supports Community wheat producers would continue to enjoy a 50 per cent tariff preference under this system. The preference for beef could be as high as 88 per cent.

The corrective factor would allow up to 21 per cent of changes in world product prices to be passed on to EC farmers; it would also use a fixed exchange rate to offset currency fluctuations.

Analysts say the corrective factor would isolate EC farmers from changes in world market prices and prevent currency devaluations from affecting countries' competitiveness in farm trade.

In addition, the EC has made its acceptance of the tariffication principle conditional on its "rebalancing" concept being agreed. Under rebalancing the EC would introduce customs duties on imports of oilseeds and non-grain foodstuffs.

A major point of contention is the EC's charge that, while calling on the Community to reduce its export subsidies by 90 per cent, the US has not been willing to treat its deficiency payments to farmers as export subsidies, although they have a major impact on exports.

The US retorts that under its proposal deficiency payments would be subjected to a 75 per cent cut; if they were handled as export subsidies under the EC proposal they would not be reduced at all.

---

TEXTILES ASSOCIATIONS from the EC, the US and Canada have joined together to protest at the failure so far of the present round of talks under the General Agreement on Tariffs and Trade (Gatt) to deliver an acceptable agreement on textiles, Lucy Kellaway reports from Brussels.

The associations, which represent over half the world's textile importers, are calling for:

- A fifteen year transition period to allow the industry to adapt to the rules of Gatt.
- A verification procedure that would provide a means of dealing with breaches of the rules.
- Monitored import growth.
- A safeguard clause to prevent market disruption during the transition period.

In a joint statement the textiles concerns claim that trade ministers have not lived up to their declaration made at the beginning of the Uruguay Round that Gatt disciplines would be strengthened.

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Yeutter: visiting European capitals in search of a compromise

# Australia and NZ renew call for EC to hasten reforms

By Dai Hayward in Wellington

AUSTRALIAN and New Zealand Trade Ministers at a meeting in Christchurch last night reaffirmed the necessity for the European Community to improve its stance on trade reform and reduction of farm protectionism.

Ways in which both countries could increase pressure on the Community were discussed by Mr Neil Blewett, the Australian trade minister and Mr Philip Burdon, his New Zealand counterpart. Both were critical at what is seen as EC procrastination on farming reform.

Mr Blewett is in New Zealand for an Australian-New Zealand Business Council conference. This will consider developments in the Closer Economic Relations (CER) free trade agreement between the two countries. A pre-conference meeting between the two ministers concentrated more, however, on the tortuous progress of the four-year Uruguay Round, and the danger of the December Gatt talks collapsing.

New Zealand has set up a lobby of three former prime ministers and internationally known businessmen to help its push to persuade the EC to liberalise agricultural trade. They will put New Zealand's case by facsimile, telephone and letter to business and political contacts in Europe.

Two prominent New Zealand businessmen, with the title of trade ambassador, are touring European capitals in an attempt to convince European businessmen that it is in their interest, and that of New Zealand's and other countries in the Cairns group, to reduce farm support and trade restrictions.

Mr Mike Moore, the former prime minister, who in March helped set up the eminent persons group within the Cairns group to lobby world leaders, said yesterday that the Gatt negotiations were the most crucial trade talks for New Zealand this century.

The Australian-New Zealand conference will discuss extensions to CER, which in July saw the last trade barriers on goods removed. The next step is to extend the agreement to cover services other than those either government wishes to exempt.

New Zealand's list of exemptions is much smaller than Australia's, which includes aviation, telecommunications, postal services, shipping, banking, insurance, construction and engineering.

In November, Australia moved to deregulate civil aviation, while the shipping freight route across the Tasman Sea has been opened with two new carriers.

New Zealand wants the constraints on construction and engineering removed by New Year and progress on other areas fairly rapidly.

# Contract rows to delay Kansai airport opening

By Robert Thomson in Tokyo

THE OPENING of Kansai International Airport, the site of several symbolic trade battles between Japan and the US, is certain to be delayed because of construction problems and continuing disputes over contract procedures.

The US Congress has targeted the Y1,000bn (£3.96bn) airport, now under construction in Osaka Bay, following complaints by AEG Westinghouse, the US company, over a contract awarded to a Japanese company for a people-mover system.

The airport was due to be opened in March 1993, and Japanese newspapers have suggested that the project could be as much as two years late, though it is understood a new target of spring 1994 will be set in coming weeks.

Mr Haruo Inoue, managing director of the Kansai International Airport Company (KIAC), would not comment yesterday on the completion date, but confirmed that a new schedule will soon be set.

Having originally suggested that the project would be a model of international co-operation, the KIAC has been embarrassed by the continuing disputes and by the success of AEG Westinghouse in marshalling support in Washington.

"We think that it's very unfair for AEG Westinghouse to complain about the contract procedure.

"We have had no complaints from the other 12 bidders. There really was a very large price difference between that company's bid and the winning bid," Mr Inoue said.

KIAC fears another dispute could arise later this month over a contract for baggage handling facilities, and the most sensitive issue will be contracts for terminal construction.

There are four bids for the terminal, two from US companies in partnership with Japanese groups and two from Japanese construction companies. Cost estimates are due next month.

The US has had doubts about contract procedures for the project since Japan's Fair Trade Commission fined six Japanese companies for forming an illegal cartel for filling operations in late 1988.

# Hungary agrees French stake

THE Hungarian state privatisation body yesterday approved a bid by Sanofi, the pharmaceuticals subsidiary of France's Société Nationale Elf Aquitaine, to take a dominant stake in Chinoin, Hungary's second largest pharmaceuticals company, reports Nicholas Denton from Budapest.

Sanofi will pay about $75m for 40 per cent of state-owned Chinoin, making the purchase one of the largest foreign investments in Hungary to date. There are no restrictions on the French partner increasing its share to a majority.

Chinoin made a profit of Ft1.02bn ($16m) in 1989 on sales of Ft10.6bn. The company's western sales are underpinned by the success of its drug against Parkinson's disease, Jumex, in western Europe and the US, and Osteochin in Japan.

# AT&T shares Jakarta telecom deal

INDONESIA has awarded a politically sensitive telecommunications contract to American Telephone and Telegraph (AT&T) and a partnership between Japan's NEC and Sumitomo corporations writes Clare Bolderson in Jakarta.

Between them the companies will supply digital switching equipment for 700,000 new telephone lines in Indonesia over the next three years.

A decision on the contract, whose value has not yet been announced, had been expected after a shortlist of five companies selected by Jakarta was narrowed to a competition between AT&T and NEC.

But the original $300m tender for only 350,000 lines was abruptly cancelled in February when Jakarta announced that none of the companies involved had fulfilled all the requirements of the deal.

AT&T and NEC were invited to re-tender, with the other previously shortlisted candidates – Fujitsu of Japan, France's Alcatel and LM Ericsson Pty, an Australian subsidiary of the Swedish company.

Analysts said the reason for the re-tender was to avoid a trade war between Washington and Tokyo. Equipment for 400,000 lines will be imported with the rest made locally.

# APV secures soft drink contracts

By Andrew Jack

APV, UK-based the food and drink processing equipment manufacturer, has won contracts worth DM35m ($23.1m) to supply six bottling lines to Coca Cola in eastern Europe.

The company completed negotiations last Friday to build and install a complete line in Warsaw and one in Gdansk. They have already recently arranged four lines in eastern Germany. Each will be capable of filling 330ml bottles at rate of up to 30,000 an hour.

The contracts come in the wake of announcements by Coca Cola at the start of the year that it plans to build some 20 lines over the next 12 months in eastern Europe. They were arranged in "an exceedingly short period of six weeks," said Mr Fred Smith, APV's chief executive.

Some £100m of APV's turnover will be from eastern Europe this year, he estimated. Most comes from orders placed during 1989, however.

"This year there has been tremendous confusion around the reorganisation and revaluation of currency, and the move to a free market economy," he said. "No one knows who owns or is responsible for anything."


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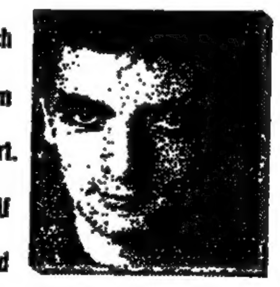

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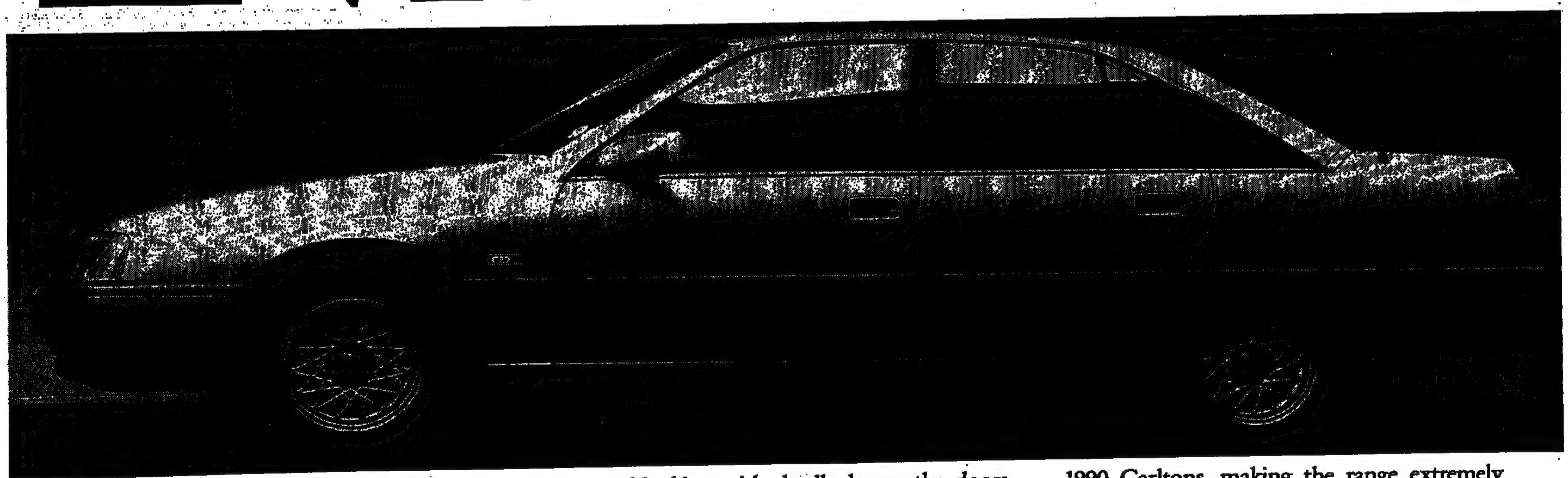

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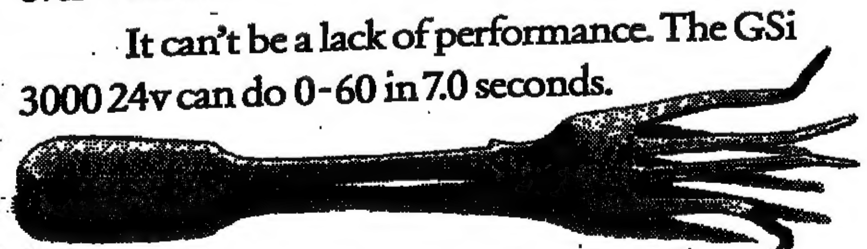

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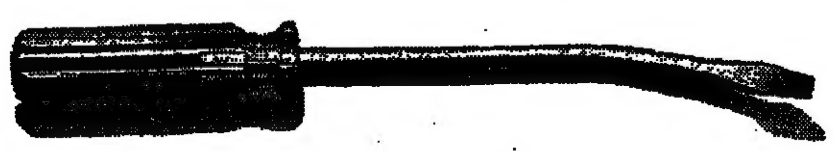

the car but also immobilises the starter motor if the car is tampered with.

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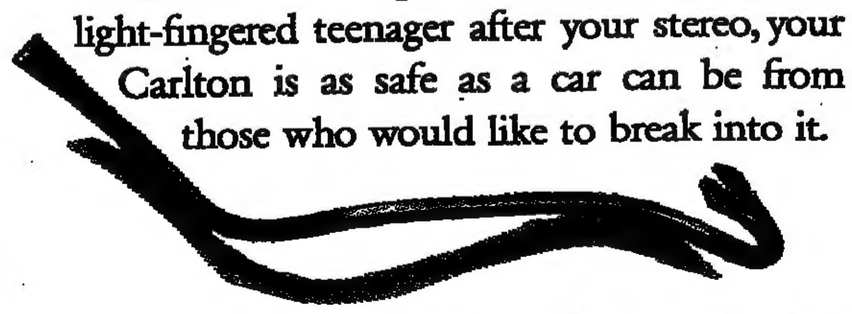

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# Saddam said to favour 'last chance' summit

By Victor Mallet, Middle East Correspondent

IRAQ suggested yesterday that it might attend a "last chance" Arab summit proposed by King Hassan of Morocco to resolve the Gulf crisis, as Arab diplomacy gathered pace in an attempt to avert a war.

President Saddam Hussein of Iraq – who was quoted by the Iraqi news agency on Monday night as saying that Iraq was ready to make sacrifices for the sake of peace – sent Mr Taha Yassin Ramadan, his first deputy prime minister, to Morocco with a letter for the King. President Hosni Mubarak of Egypt, one of Mr Saddam's principal foes, made an unannounced visit to Libya and met Col Muammer Gadaffi, the Libyan leader.

The divisions in the Arab world over Iraq's invasion of Kuwait in August are so deep that the summit may never even take place, let alone agree on a common position.

Kuwait's government-in-exile, along with its Arab allies, is noticeably unenthusiastic about a meeting which would in any way legitimise Mr Saddam or allow him to play for more time by linking an Iraqi withdrawal to a settlement of the Arab-Israeli conflict.

Iraq and its supporters, on the other hand, insist that the planned summit must endorse linkage and avoid making demands for an unconditional Iraqi withdrawal. Mr Saddam wants the venue to be a sympathetic capital such as Amman.

Twelve of the 21 members of the Arab League voted to condemn the Iraqi invasion at a summit in Cairo on August 10, and they agreed to send troops to protect Saudi Arabia. Forces from Egypt, the Gulf states, Syria and Morocco are alongside US troops.

Mr Ramadan was quoted by the Iraqi report as saying that Iraq wanted a summit to meet the "aspirations of the Arab peoples and not a gathering to plot against the nation as happened at the conspiratorial Cairo summit".

US officials in Washington, meanwhile, said hundreds of US Marines would carry out an amphibious assault exercise in Saudi Arabia near the Kuwaiti border within days, as part of their training for a possible war.

In Turkey, a captain who defected from the Iraqi army claimed Mr Saddam had executed six generals and 120 other officers, apparently for opposing the invasion.

● A British pilot was killed yesterday when his Jaguar fighter-bomber crashed in the Saudi desert while on a low-level training flight, a British military spokesman said, Reuter reports from Dhahran. Flt-Lt Keith Collister was married with no children.

## British forces soon to be 'operational'

By David White in Jeddah

BRITISH armoured forces in Saudi Arabia will be declared "operational" in the next day or two and move out to new positions in readiness for possible action against Iraq.

The UK Seventh Armoured Brigade, which will provide the main heavy tank force for the US marines in the north-eastern coastal region, is due today to complete the last exercise in its "work-up" training.

Details of its deployment have to be finalised between British and US commanders. The completion of initial preparations, three weeks after most of the British troops arrived, coincides with a visit by Mr Tom King, defence secretary.

The British Army now had 11,500 troops in Saudi Arabia, including hospital personnel, out of a total UK military contingent in the Gulf of over 16,000.

Further British combat troops - due to be decided on during the next few days - would be integrated with the armed forces already in place.

## Iraq tries hard for favourable settlement

By Lamis Andoni in Baghdad

IRAQ, which yesterday showed signs of willingness to attend an Arab summit to resolve the Gulf crisis, has tried everything from deadly threats to hostage-taking and diplomacy in its efforts to divide the alliance against it.

But as the feeling dawns in Baghdad that the countdown to war has begun, the regime is racing against time to build an international consensus for a political settlement that does not start with an Iraqi withdrawal from Kuwait.

In the weeks before King Hassan of Morocco suggested a summit, Iraqi officials were beginning to think that their tactics of playing for time were working. Politicians from all over the world have poured into Baghdad to plead for the hostages and have thereby eased Iraq's sense of isolation.

There are indications that the Iraqis are even considering releasing all the hostages to deter a US attack from Saudi Arabia and to strengthen those voices calling for a diplomatic solution.

However, each time the Iraqis see a crack in the international alliance wide enough to allow a negotiated settlement, Washington and London have swiftly reminded them that the only outcome they want to see is an unconditional and total withdrawal from Kuwait.

Saddam: deadly serious

Such a withdrawal – in the eyes of the Iraqi government – would be tantamount to a surrender which could sign the death warrant for the regime of President Saddam Hussein.

"Saddam Hussein believes that the real aim [of the west] is to destroy his regime and Iraqi power," says one senior Arab official who has been in contact with Mr Saddam. "An unconditional pullout from Kuwait will be followed by economic and military pressures to destroy Iraq as a political and military power."

Iraqi officials say that Mr Saddam's threats to strike at Israel and set oilfields ablaze are deadly serious. In some ways Mr Saddam sees himself as a latter-day Samson who will not go down without taking as much of the masonry with him as he can.

This idea might seem repellent in the west, but it appeals strongly to many of Mr Saddam's supporters, including some Jordanians, Palestinians, Yemenis and inhabitants of the Maghreb.

That does not mean Iraq sees no other way out. Despite repeated official statements that the annexation of Kuwait is irrevocable, Iraqi officials have privately stressed almost since the start of the crisis that everything, including Kuwait, is negotiable, provided other regional conflicts such as the Arab-Israeli dispute are addressed as well.

The west rejects the idea that Mr Saddam should receive any reward for his invasion, and points out that the "linkage" to the Palestinian problem was an opportunistic afterthought. But a face-saving solution is regarded as a real possibility in the Middle East, where the west is widely criticised for hypocrisy because it has not forced Israel out of the occupied territories.

Hence Iraq's willingness to consider an Arab summit. Mr Saddam would want the meeting to assert "linkage", a phrase which applies not just to the land occupied by Iraq and Israel but also to the weapons of mass destruction deployed or being developed by both countries.

President Saddam would like the summit to take place somewhere he can attend in person, such as Amman in Jordan. Above all, he would insist that it does not presuppose an unconditional Iraqi withdrawal. A negotiated withdrawal is another matter.

# Bush seeks a political shield for 'Desert Sword'

**Lionel Barber** reports on efforts to calm Congress

PRESIDENT George Bush will seek to calm the nerves of Congressional leaders today when he holds the first meeting with legislators since his order to virtually double the size of US forces in the Gulf.

The conversion of Operation Desert Shield into "Operation Desert Sword" has provoked misgivings among members; even Mr Sam Nunn, the sober-minded Democratic chairman of the Senate armed services committee, has complained that Mr Bush is in danger of rushing into war against Iraq.

These stirrings of criticism do not amount to a break with the White House – yet. But now that the mission of US forces has expanded from the defence of Saudi Arabia to a possible offensive against Iraq, the calls for a full debate on US war aims is becoming ever more insistent. Mr Bush needs to justify his moves.

In the background, a second nagging question has emerged: how does Mr Bush intend to reconcile his desire for maximum flexibility on how and when to use force against Iraq, with his pledge to consult Congress and to take action through the United Nations?

Mr Russell Baker, the New York Times columnist, pointed out recently that Mr Bush's interest in seeking a UN resolution explicitly authorising the use of force against Iraq, has created a delicious irony. "For years the Congress has sneered and laughed at the powerlessness of the United Nations," he wrote. "Yet now when the question is the great issue of war and peace, it is the endorsement of the United Nations, not the Congress, that the President needs."

Under the US constitution, Congress alone has the right to declare war. But the president ranks as the commander-in-chief, and most modern US presidents have engaged in military action overseas without seeking the specific approval of Congress. Vietnam was the most striking example; but the same was true of Grenada and Panama.

The conclusion must be that presidents can make war, provided they do not declare it: "The declared war has become obsolete," Mr Baker observed, "Its successor is the undeclared war."

Will Congress settle for the same fudge this time round, when most military experts agree that war against Iraq could lead to thousands of American casualties? The early signs are that the leadership – including Senator George Mitchell, the toughest Democratic majority leader since Lyndon Johnson – may not wish to force the issue.

On the other hand, Mr Richard Lugar, senior Republican on the Senate foreign relations committee, called yesterday for Congress to return from recess to debate a resolution authorising military action; still others shy away from a vote which could tip the US hand on military action.

All agree that, somehow, Congress needs to assume co-responsibility to avoid a repetition of Vietnam, where the executive and legislative branches went their separate ways.

Enter, perhaps, the United Nations. During his recent trip to Europe and the Gulf, Mr James Baker, US Secretary of State, made one important discovery: most members of the multinational coalition agree that if hostilities become necessary, it is probably best to wage war with UN authority.

Both the US, the UK and the front-line states believe that Article 51 of the UN charter provides for collective self-defence in request for assistance from a beleaguered member, in this case Kuwait.

The debate is whether to seek a more explicit UN resolution, the idea being to avoid turning a future conflict into an Anglo-American operation with minimal Arab backing.

The problem is that a badly worded draft could shackle US troops who will bear the brunt of the fighting.

Second, the Security Council itself is divided on the timing and desirability of military action; several members want to wait longer for sanctions to bite before considering the use of force. Others, such as Britain, appear more hawkish.

Third, the US has still not produced a draft resolution on the use of force – despite rumours set off by Mr Baker's entourage last week. Indeed, the US seems to have realised that, at this stage, a resolution could ratchet the pressure against Baghdad to the point of "no return" – well before the 150,000 extra US troops are in place.

Last, the US has made clear it will not table a resolution unless it is assured of overwhelming support – as with the previous 10 resolutions condemning President Saddam Hussein and imposing sanctions against Iraq.

In short, much political spadework remains to be done by President Bush who now must be realising that collective security is easier to preach than practice.

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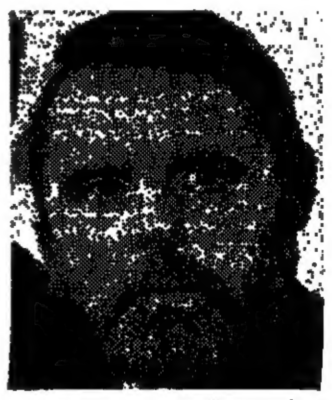
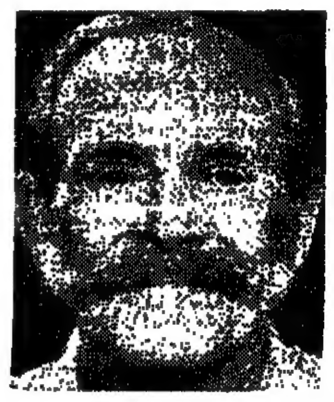
● John McCarthy, now 33, was abducted on April 17 1986 by the Revolutionary Commando Cells while on his way to the airport to leave Beirut. He had been covering the Beirut bureau of Worldwide Television News.



● Terry Waite, now 51, was abducted on January 20 1987, it is believed by the Islamic Jihad. He was on a mission to Beirut to help free western hostages as the special envoy of the Archbishop of Canterbury.



● Jack Mann, a retired airline pilot and nightclub manager now 76, was bundled from his car and abducted on May 12 1989. No group has claimed responsibility for his abduction. His wife, Sunnie Mann, remains in Beirut.

## Iran raises UK hostage hopes

By Lara Marlowe

HOPES for the release of three British hostages held in Lebanon rose yesterday when Mr Ali Akbar Mohtashemi, the radical Iranian MP and former interior minister, said he understood the three would be freed "within a few days".

They are television journalist Mr John McCarthy, Mr Terry Waite, the Archbishop of Canterbury's envoy and retired pilot Mr Jack Mann.

Mr Mohtashemi told the newspaper, Abrar, in an interview that he opposed the release of the three Britons because nothing had been done to achieve the freedom of four Iranians kidnapped by the Christian Phalange militia in 1982. However, he said: "Regrettably we see that the British hostages, because of pressure on Lebanese Moslem groups, are to be released in the next few days."

In his reference to "pressure", Mr Mohtashemi was alluding to the security plans for Greater Beirut, including the withdrawal of militias being carried out by Syria and the Lebanese government of President Elias Hrawi. All militias have been ordered to leave by Saturday. Four said they had completed their withdrawal and Hizbollah has taken its fighters out of the southern slums of Beirut.

Hopes for the release of the three Britons were first raised last month after the restoration of diplomatic links between Britain and Iran. Since then, however, Britain's lack of relations with Syria appeared to emerge as a sticking point.

After Britain restored diplomatic relations with Iran pro-Iranian Shia Moslem forces in Beirut said that Mr Ali Akbar Velayati, the Iranian foreign minister, would have to travel to Damascus to complete arrangements for the release of the three Britons. Mr Velayati was in Damascus last week to conclude a peace agreement between the Syrian-backed Amal and Hizbollah militias.

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INTERNATIONAL NEWS

# S African judge finds no evidence of death squads

By Patti Waldmeir in Johannesburg

A SOUTH African government-appointed commission yesterday sharply criticised the activities of army and police counter-insurgency units but said it had no evidence that police operated death squads.

The commission, whose sole member was Supreme Court judge, Justice Louis Harms, investigated allegations that police and army death squads have been responsible for the murders of more than 60 anti-apartheid activists.

After hearing testimony from dozens of witnesses, many of whom alleged the existence of such hit squads, Justice Harms recommended that only one case, the 1986 slaying of activist Dr Fabian Ribiero and his wife in Mamelodi township near Pretoria, be investigated further.

However, he delivered a damning indictment of the activities of a covert military group, the Civil Co-operation Bureau, which he said had "contaminated" the security forces as a whole, and said he held the Minister of Defence, Gen Magnus Malan, politically responsible for the CCB.

The Bureau, he said, had given itself powers to "try, sentence and punish" persons without allowing them to defend themselves. "Their conduct before and during the commission creates suspicions that they have been involved in more crimes of violence than the evidence shows."

Mr Justice Harms recommended investigation into the loss of CCB documentation and the alleged perjury of a former operative. The CCB had ignored requests from the President, the Minister of Defence and the Chief of the Defence Force. He noted: "Requests by Parliament, the Auditor-General and the commission were treated with contempt."

The report concludes: "The commission has been unable to achieve one of its main purposes, namely to restore public confidence in a part of the state administration."

# China's old guard needs reform but hates change

## The next five-year plan has sparked political struggle, write Colina MacDougall and Peter Ellingsen

DECISION-making in Peking has come to a halt as conservatives and reformers battle over China's eighth five-year plan, due to start on January 1.

The party's Central Committee meeting to approve it has already been postponed from October to November to December. China's five-year plans have never proceeded without political interference, but this last-minute affair is unprecedented.

The state is broke (the budget deficit this year is expected by diplomats in Peking to be at least Yuan13bn [£1.4bn], a lot for China) and the only way forward, as the last 12 years have shown, is via economic reform.

The aged band of hardliners and their protégés who have run China since the Peking massacre last year will not contemplate surrendering party power to economists and managers, which is, in effect, what reform demands.

But a compromise may be in the offing. In the last few weeks conservative leaders have made friendlier references to economic reform. Even hardliners Yang Shangkun, the president, and Li Peng, the premier, praised Deng Xiaoping for masterminding the decade of reforms.

Some prices have been allowed to rise, foreshadowing wider changes to the distorted price structure. Senior economic theorists have publicly discussed how to combine a planned and market system, revitalise state enterprises and reform central control. Still, getting China's tough old patriarchs to accept more than token change will prove difficult.

As Peking's ageing bosses approach their nemesis (Deng Xiaoping and his rivals are in their mid-to-late 80s) the key to who runs China next lies with economic reform. Even the conservatives appear to recognise that. Their doubtful legitimacy since the slaughter in Peking may mean they have no option but to permit a modicum of reform.

This seems to have encouraged reformist economists. Jiang Yiwei, former director of the Institute of Industrial Economics at the Chinese Academy of Social Sciences, recently defended reform in an article reported by the China Daily, declaring that it had caused inflation in 1988 and 1989 only because it was incomplete. He even implicitly excused Zhao Ziyang, the disgraced former party leader whom the hardliners have tried to label as a criminal, from any wrong-doing.

The conservative leaders seem to be aware that something must be done. Although they have quelled inflation and boosted exports and farm output, industrial production has dropped catastrophically over the past 15 months. It has picked up somewhat in recent months, but only when the state pumped money it could ill afford into the economy.

According to the State Statistical Bureau, the fall in production left the state with collapsing tax revenue (down by 25 per cent in the first three quarters of this year) and a 3m-strong army of unemployed who for political reasons still have to draw their pay. While China has far more goods in the shops than the Soviet Union, a few more years of economic mismanagement would put paid to that.

The black hole of state industry, favoured by the conservative leadership, swallows up untold funds. In the first three quarters of this year a third of state-run enterprises were in the red, their profits fell by nearly 60 per cent, their borrowing from the state nearly doubled (to Yuan143bn) and subsidies to keep them afloat totalled Yuan60bn.

What seemed to be the maximum reform the conservatives will so far accept was outlined two weeks ago. According to Chen Jinhua, minister in charge of the State Economic Reconstruction Commission, speaking to foreign businessmen, the new five-year plan would focus on three reforms.

These were:

- Enterprise reform (to give managers more freedom);
- A gradual liberalisation of controlled prices in favour of a freer market;
- Encouragement to the banks to develop capital and securities markets.

In enterprise reform and the development of securities markets, reform protagonists would like to see factories operating free of official interference and raising money themselves on genuine stock exchanges where shares can be traded.

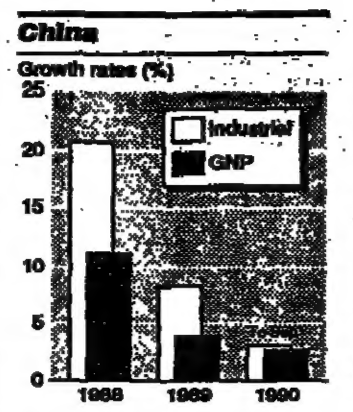
But it is more likely that enterprises will only replace subsidies with funds raised from workers and others under a system like the present compulsory bond purchase schemes.

But on price reform the conservatives have already agreed some movement. Last week in Peking cabbage prices soared as subsidies were removed, and sugar prices jumped by 58 per cent, fuelling rumours of more sweeping increases.

There were increased prices for other goods, including cotton, which the government tried to play down by imposing a media blackout. There was dismay when shoppers learnt of the increases.

"Our wages are still behind," one young man working in a government enterprise said, pointing out that although official inflation (which in 1988 and 1989 was around 20 per cent or more annually) was now down to single digits, people were expecting more price rises. Prices for coal, milk, toothpaste and telephones have recently gone up, and he feared cloth, soap and subway fares would follow soon.

**China**




State Enterprises: 400,000
Number making loss in 1990: Up 101%
Profits: Down 58%
Tax payments: Down 25%

Source: State Statistical Bureau

Wan Li, the most senior Chinese due to visit the west since the violent suppression of student demonstrations in Peking last year, on Monday indefinitely postponed a trip to Britain because of ill-health. He had been due to arrive in London on November 17 for a week's visit.

The European Community lifted a ban on high-level contacts with China last month. The ban was part of the sanctions package imposed after the violence in Peking last year.

Wan, 74, a member of the ruling Politburo and chairman of the National People's Congress Standing Committee, is a friend and supporter of Deng Xiaoping, China's elder statesman, who unofficially was also reported unwell last week.

Last Friday he was unable to attend a dinner given by Sir Alan Donald, British ambassador in Peking, because of illness. Wan had been due to meet Mrs Margaret Thatcher, though as an MP not as prime minister, since he was guest of the Inter-Parliamentary Union.

# Lagos's spending loses it $500m World Bank loan

By William Keeling in Lagos

NIGERIA has lost out on a $500m (£257.7m) loan from the World Bank as a result of a long-standing disagreement over public expenditure.

The Bank estimates that, as result of the dispute, co-financing agreements with bilateral and multilateral donors worth more than $200m have also been lost.

A World Bank official in Lagos said that the Bank's budgetary and financial policy loan for 1990 would no longer be disbursed. A similar loan for 1991 is in doubt unless agreement is reached on public expenditure.

The Bank's chief concern, the official said, remained the Ajaokuta steel plant which has cost more than $4bn since construction began 10 years ago. The official estimated that a further $2bn would have to be spent on the plant and infrastructure before it became fully operational.

The official said that as a result of the dispute other donors could be in jeopardy. Britain, Japan and the European Community had, among others, withdrawn commitments worth over $200m.

In addition, a meeting of donors scheduled for this month has been cancelled. A similar meeting last year resulted in pledges to Nigeria of more than $500m.

# Court forces Hong Kong to free boat people

By John Elliott in Hong Kong

HONG Kong's government yesterday backed down in the face of mounting criticism over its handling of 111 Vietnamese boat people who were detained in prison as illegal immigrants on Monday, a few hours after being granted a writ of habeas corpus in the High Court.

After a day of legal wrangling yesterday, the 111 were released from prison on bail into the care of the United Nations High Commissioner for Refugees. They were expected to be accommodated at an open camp for Vietnamese refugees where inmates are free to go and come as they please.

Earlier in the day, Mr Justice Sears, who gave Monday's judgment that the 111 had been illegally detained, said that they could apply for a second habeas corpus writ in order to gain their freedom.

The boat people were detained in Hong Kong in May. They said they wanted to sail on to Japan, but the government refused to repair their steel boat and detained them. Proceedings eventually led to Monday's judgment.

# Burma election win scotched

Roger Matthews, Asia Editor

THE military regime in Burma has forced the country's main opposition party, the National League for Democracy, to renounce the overwhelming victory it scored during parliamentary elections in May.

After arrests of dozens of its leaders, reports of torture and widespread intimidation, the rump of the NLD has agreed not to seek to have the election results implemented. The NLD won more than 80 per cent of parliamentary seats.

Opposition leaders still at liberty went to the headquarters of the feared National Intelligence Bureau to sign a paper acknowledging the army had first to oversee drafting of a new constitution, for which no timetable has been set.

Editorial comment, Page 20

# US deal to increase military presence in Singapore

THE United States and Singapore signed an agreement in Tokyo yesterday providing for an increase in US use of Singaporean military facilities, Robert Thomson reports from Tokyo.

Mr Lee Kuan Yew, prime minister of Singapore, and Mr Dan Quayle, US vice-president, in Japan for the enthronement of Emperor Akihito, issued a statement saying the agreement was "concrete evidence of US determination to retain a military presence in south-east Asia for the foreseeable future".

US officials suggested the agreement is separate from negotiations over the future of US bases in the Philippines, though Mr Lee has previously said Singapore would accept an increased US military presence to "share the defence burden" in the region.

The agreement provides for greater use of Singaporean facilities by US navy ships, which have routinely docked there in the past, and for US aircraft to be stationed on short-term rotation. Permanent US support personnel will be increased from 20 to 75, and an additional 75 will be assigned during air force deployments.

The US does not plan to build a base in Singapore, but will use existing facilities at Paya Lebar Airport and Sembawang Port, which officials said yesterday would "not require significant modifications" following the agreement.

US and Philippine officials began negotiations in September on the future of six US military bases in that country after the expiry of a bilateral agreement in September next year. Washington has indicated that if the agreement is not renewed, forces will be redeployed elsewhere in the region.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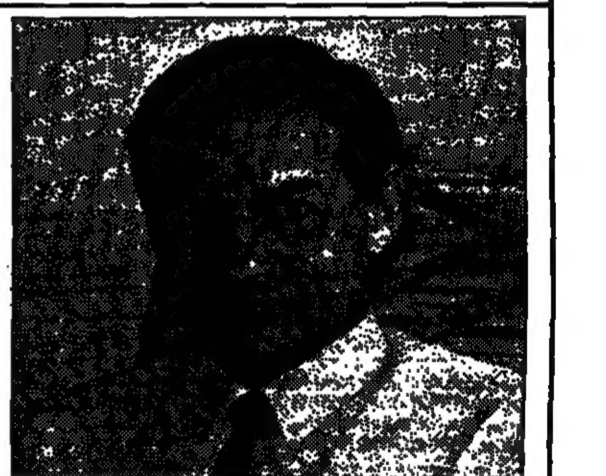
FOCUS ON SOUTH AFRICA — 1990 ONWARDS

South Africa destined to play a positive role in the entire African continent

*Dr Brian Clark, president of the CSIR, talks to John Spira, Financial Editor of the Johannesburg Sunday Star.*



Dr Brian Clark

**Spira: What are the objects of the CSIR?**

Clark: The main object of the CSIR — the largest research and development organisation in Africa — is to undertake, foster and manage broadly-based market-driven research and development (along with technology transfer in support of southern African industry), to meet the needs of community interests and better the quality of life of all the region's peoples in a cost-effective and ethical manner.

Our wide scope lies in our local as well as internationally-based scientific and technological expertise in aeronautical systems technology, building technology, earth, marine and atmospheric science and technology, energy technology, food science and technology, forest science and technology, information technology, materials science and technology, microelectronics and communications technology, production technology, roads and transport technology, textile technology, water technology, and advanced computing and decision support.

Our specific strength is what we refer to as our "Africa-specific" expertise.

**Spira: How do you see your role in South Africa's technological evolution?**

Clark: Largely in the areas of mounting highly-focused research programmes in areas of specific national importance to South Africa. We address these areas by moving at the forefront of research in predetermined, specialised areas.

This allows us to participate in the global scientific and technological effort and to serve as a bridge for transferring to South Africa cutting edge advances in relevant arenas of science and technology.

Thereafter, because of our Africa-specific knowledge, we attempt to implement these in the South African and southern African marketplace.

**Spira: Of what recent major achievements can the CSIR boast?**

Clark: But a few examples include:

- The development of a rapid test method for the alkali-aggregate reaction (AAR) which gives useful results within 12 days, compared to the 12 months ASTM test. For the Lesotho Highlands water project, where two million tons of aggregate were required, local deposits of unknown properties could be evaluated. Several countries — Canada is one — have since adopted this method.
- The CSIR has developed techniques for the design and management of diamond mining in the hostile inshore zone at Oranjemund, Namibia.
- In 1989, the CSIR won the SA Institution of Mechanical Engineers prize for its design, construction and commissioning of a fluidised bed combustion hot gas generator.
- Simsaw, a sawmill simulator developed by the CSIR, allows a choice of the best sawing patterns for each log class in a sawmill. Some 65 percent of South African sawmill sales (R445 million) are now supported by Simsaw.
- The Golden Award in the 1990 Industrial Development Corporation Electronic Design Awards went to SA Post and Telecommunications for a product incorporating a CSIR analog circuitry design.
- Many optical products and systems have been developed by the CSIR's optical engineering programme.

**Spira: Is it possible to quantify the CSIR's contribution to the South African economy?**

Clark: It's impossible to put an accurate figure on our contribution to the economy. An attempt to do so in 1985 showed that for an investment of R300 million in completed research programmes, the benefits up to the year 2000 totalled several billion rands.

**Spira: Do you see the role of the CSIR changing in the future? In what way?**

Clark: Since 1986, we have been involved in a major restructuring of our functions in order to give the CSIR a new market-driven corporate culture. At present we generate about 55 percent of our total income from external sales of contract research work — a figure which will rise in the years ahead.

Three years ago we were running about 2 000 contracts a year. Last year we ran 6 300; this year we expect to run close to 8 000.

As the nature of the new South Africa becomes clearer, we shall be striving to make a positive impact on the lives of all South Africans. This will place special new challenges at our doorstep.

**Spira: How would the CSIR operate in a climate of:**
**a. Increased nationalisation.**
**b. Enhanced private enterprise?**

Clark: Our function as an internationally-renowned institution for scientific and technological research, development and implementation will be our driving force. As a national laboratory, we shall be expected to contribute — whatever the nature of the new South Africa.

In public sector contract research we are often involved in ensuring that decision-makers have all the facts prior to decision taking. This differs widely from our work for the private sector, which tends to be in generating new products and processes ultimately to gain competitive advantage and enhanced profits, leading to economic growth.

**Spira: Privatisation has been an emotive issue. What is your view? Will the CSIR ever be fully privatised?**

Clark: Privatisation means different things to different people.

The CSIR's restructuring in the mid-1980s was often referred to as privatisation. It would have been more correct to describe it as corporatisation.

The CSIR went from having a science-based, research-driven culture, devoid of market pressures, to one probably best described as science and technology based, yet market-driven. Accordingly, the CSIR became an organisation in which marketing philosophies were injected into a research and development culture.

The result has been a sharply rising external contract income, increasing numbers of contracts (particularly in the private sector) and, through these two factors, enhanced application of science and technology in South Africa's public and private sectors.

I am a strong supporter of any approach which frees an organisation from the shackles of bureaucracy and allows it to operate within the significantly more efficient systems that exist within the business environment of a free market economy.

I do not see the CSIR as ever being fully privatised. Much of our work has to do with basic national infrastructure, which, of necessity, will always involve some investment by government.

**Spira: Has the CSIR done any work with or for South Africa's neighbouring states in southern Africa?**

Clark: We've done much work with and for neighbouring states. I've already mentioned the Lesotho Highlands water scheme. Another example is our involvement in the rehabilitation of Malawi's road network. We're currently working in eight neighbouring countries.

As a result of the sweeping political changes taking place in South and southern Africa — and the world — our position as the largest research and development organisation in Africa can only increase our African role in the future.

We've much to offer our neighbours and they'd readily make use of our expertise in many fields as soon as our region reaches full political and economic stability.

South Africa is the continent's powerhouse and as such we can be a source of great benefit to the rest of Africa.

As a rough indication of our relative sophistication, it's worth noting that in 1986 (the latest available statistics from UNESCO), South Africa produced 5 794 bachelor graduates and 2 561 post-graduates in natural science and engineering. The combined comparative figures for Botswana, Malawi, Mozambique, Swaziland and Zimbabwe were 247 and 31 respectively.

**Spira: Have sanctions and disinvestment impacted upon your activities? What will be the result of the abolition of sanctions?**

Clark: Sanctions and disinvestment have had negative as well as positive influences on our activities.

On the negative side, it has cut us off from some sources of international know-how in the scientific and technological fields.

This has forced us, at least in some instances, to develop our own, unique expertise — which must, unquestionably, be regarded as positive. In this way, sanctions have forced South Africa to invest in local research and development projects.

The abolition of sanctions will obviously prove beneficial, as it will enable us to return to our rightful place in the international scientific and technological world. And it will open up new markets for our products and services. On the other hand, it will make overseas technologies easier to obtain at, in some instances, lower prices.

Despite the difficulties with which we've had to contend on the sanctions and disinvestment front between 1986 and 1988, South Africa produced a vastly greater number of internationally-published scientific and technological articles than any of Asia's newly-industrialised countries and as much as 44 percent of all such articles produced in Africa.

**Spira: Corporate programmes involving (in particular black) education, housing and technical training have been a feature of the South African business scene in the past couple of years. Does the CSIR play a role here?**

Clark: The CSIR is an equal opportunity employer. We have bursary schemes for promising students of all population groups in the scientific and technological fields.

I expect to drive an aggressive affirmative action programme starting in 1991 — a programme which will build on work done during the past few years.

Even though we've been an equal opportunity employer for some years, the impact of (thankfully) past ideological experimentation with the education system will continue to plague us for some time yet.

The CSIR supports several institutions aimed at uplifting the standards of eductaion among South Africa's youth. And we have plans in hand to increase our involvement in informal education.

**Spira: What are your views on black participation in the economy in general and on the CSIR's attitude toward equal opportunity in particular?**

Clark: Fuller black participation in the economy is a necessity for real long term economic growth. The country's black community represents a vast, largely untapped resource without which the economy cannot be expected to survive, especially in the light of the critical shortage of scientific and technological manpower.

It is part of the CSIR's strategic planning to even more actively promote black opportunity in science and technology.

**Spira: What does your crystal ball tell you about South Africa in the decade ahead against the current background of black-on-black violence, high unemployment, industrial unrest, political flux, the need for wealth and income redistribution, double-digit inflation and a paucity of investment capital?**

Clark: In short, the future ain't what it used to be. But much of the stress results from the birth of a child — the new South Africa.

There'll be huge changes in the next 10 years. Nobody knows what the priorities for research and development will be, as the major present priorities lie in the socio-political arena. But there can be no doubt that science and technology has a major role to play in the future development of South Africa.

I firmly believe that we have the necessary common sense, know-how and sophistication available to survive this period of upheaval.

I believe in South Africa's future as a country with truly promising capabilities and possibilities, especially as it relates to the highly positive role we are destined to play in Africa as a whole.

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AMERICAN NEWS

# Production fall fuels US interest rate speculation

By Michael Prowse in Washington

US industrial production fell a seasonally adjusted 0.8 per cent in October, accentuating fears that the US economy is firmly in recession. The figures also add to speculation that the Federal Reserve, whose policy-making Open Market Committee met yesterday, will shortly ease monetary policy.

The most likely move would be a further quarter-point cut in the Federal funds rate, to 7½ per cent.

However, Mr Manuel Johnson, former vice chairman of the Fed, warned yesterday that the central bank should not try to fine tune the real economy. Any easing of policy, which is now widely expected, should be based on indications of falling inflation.

The sharp decline in production – the first since a minor dip in April – exceeded market expectations, which were for a fall of about 0.5 per cent.

It followed a 0.2 per cent increase in September and a (revised) zero increase in August. Over the year to October production rose by 1.8 per cent, taking the index to 109.8 (1987 equals 100).

The fall in output led to a 0.9 per cent drop in industrial capacity utilisation, to 82.6 per cent, still just above the long-term average. Capacity utilisation in manufacturing, however, fell to 81.7 per cent, the lowest level since September 1987.

A 4.5 per cent drop in the output of motor vehicles and parts accounted for about a quarter of the overall decline in production. But weakness was evident in all key industrial sectors. Manufacturing output dropped 0.8 per cent (0.6 per cent excluding motor vehicles).

The weakness was mainly concentrated in durable goods, such as appliances, carpeting and furniture, which declined by 1.3 per cent. But output of non-durables (such as clothing and petrol) also fell slightly.

Construction was particularly depressed, contracting by 1.4 per cent for the third consecutive month.

Housing figures published yesterday also show a softening economy. Privately owned houses were completed at a seasonally adjusted annual rate of 1,326,000 in September, down nearly 3 per cent from a year earlier. The number of houses under construction also fell.

The industrial production figures are the latest in a series of uniformly weak figures that include a sharp fall in employment in October and evidence that wholesale price inflation – excluding energy and food – has slowed to zero.

# Commercial banks in Colombian debt deal

COLOMBIA and its commercial bank creditors reached an agreement in principle to refinance $1.56bn (£803m) of the country's debt coming due over the next four years, participants in the negotiations said, Reuter reports from New York.

About $200m of new loans will also be provided by banks to cover portions of the debt held by those banks that choose not to participate.

Bankers caution that the size of the refinancing and the amount of new loans could shrink after the deal is presented to the nearly 200 banks with outstanding Colombian loans.

The deal will consist of two facilities. An integrated loan facility to the amount of $1.57bn will have a 13-year term and a grace period of seven years. It will bear interest at 1 per cent above the London inter-bank offered rate.

The $200m of loans will be provided in the form of floating-rate notes to be issued from 1991 to 1993. The final maturity of the notes, which will have a rate of 1½ per cent above Libor, will come due in 1998.

# Guatemalan presidential hopefuls face second ballot

By Tim Coone
In Guatemala City

TWO centre-right candidates for Guatemala's presidency, Mr Jorge Carpio and Mr Jorge Serrano Elias, are likely to face a run-off ballot next January 6. With 90 per cent of the votes counted after last Sunday's general elections, Mr Carpio has won 25.6 per cent, followed by Mr Serrano with 24.3 per cent.

In third place is a right-wing candidate, Mr Alvaro Arzu of the National Advance party (PAN), who acknowledged on Monday evening that he was out of the running having gained only 17.9 per cent of the vote.

Mr Carpio, of the National Centre Union (UCN), and Mr Arzu were the pre-electoral favourites according to opinion polls.

A second ballot may be avoided if both Mr Carpio and Mr Serrano, of the Movement of Solidarity Action (MAS), agree to form a unity government. In a second round, however, Mr Serrano could probably count on the support of PAN and the Christian Democrat party (DCG), which came fourth with 17.1 per cent of the vote. This could trigger an attempt to overturn Mr Carpio's marginal lead.

Mr Vinicio Cerezo, the incumbent president who belongs to the centrist DCG, said the poll had been a victory for democracy.

In elections to the 116-seat Congress, the DCG improved its performance by winning between 25 and 30 seats, coming second behind the UCN. This ensures none of the four principal parties will have an absolute majority.

In elections to 300 municipalities around the country, the UCN and DCG won most seats.

A coalition of three far-right parties, led by the controversial former general Efrain Rios Montt, won an estimated six to nine seats in the Congress. Had he not been barred on constitutional grounds from running for the presidency – having headed a military government in 1982 – he could have displaced Mr Serrano in the first ballot.

# Noriega tapes dispute raises trial doubts

## Broadcast of conversations with lawyers may scupper case, writes Henry Hamman

A DISPUTE over the conflicting rights of General Manuel Antonio Noriega to a fair trial on drug charges and those of Cable News Network to broadcast tapes of the former Panamanian leader's conversations with his lawyers has raised the possibility that he will never stand trial after all.

That, at least, is the hope of the general's attorneys who plan to ask for dismissal of charges on grounds that the government violated Gen Noriega's rights by recording the conversations and the network did likewise by playing the tapes.

The attorney/client privilege is so highly regarded in US law that an American court recently refused to require a Boston lawyer to give testimony about his conversations with a client who had subsequently died.

There is nothing illegal in the practice of recording prisoners' conversations. The general, like other prisoners at Miami's federal Metropolitan Correctional Centre, was required to sign a waiver allowing the taping of his calls.

Prison authorities are supposed to turn the tape machines off when prisoners are talking with their lawyers. However, in the case of Gen Noriega, not only have at least some of those conversations been recorded, but they have found their way into the hands of CNN.

The defence team say that the tapes could provide prosecutors with information about the general's legal strategy, though the prosecutors say they have heard none of the conversations. The defence also argues that the broadcasts could make it harder to put together an impartial jury.

Noriega: attorney's client privilege may have been violated

Gen Noriega's lead attorney, Mr Frank Rubino, alleged in court last week that the tapes had been given by prison authorities to the US State Department. He said the State Department had passed the tapes on to the American-installed Panamanian government, which had leaked them to CNN.

The State Department declined comment on the allegation. An investigation by the Federal Bureau of Investigation into the leaking of the tapes is under way.

Last Friday, soon after Miami Federal District Judge William Hoeveler reiterated an order to CNN not to broadcast the tapes for 10 days, the network played two of the tapes. A Federal Circuit Court upheld Judge Hoeveler's ban, and CNN then agreed not to broadcast any more tapes pending further legal action. A final decision on the legality of broadcasting the tapes may have to be made by the Supreme Court.

The conflict between constitutional protections of press and defendants' rights to fair trials has overshadowed for the time being the issue of whether Gen Noriega will ever go to trial.

It has been nearly a year since the US invasion of Panama – President George Bush's "Operation Just Cause" – during which Gen Noriega was apprehended.

A serious obstacle to Gen Noriega's defence appeared when his legal team asked to be dismissed from the case because the general could not pay them.

The lack of funds occurred because the government had prevailed on courts in a number of countries to freeze Gen Noriega's assets on the grounds that they were earned through drug trafficking.

The government at first argued that Gen Noriega should apply for legal aid but, with the prosecution spending millions of dollars on its case against the general, the prospect of his defence being limited to one $75-an-hour lawyer raised concerns about fairness.

Eventually the government agreed to assist the defence in freeing some of Gen Noriega's frozen bank accounts but, after months of effort, defence attorneys say they still have no money.

One of the general's lawyers, Mr John May, said last week that sufficient assets had been located in accounts in Switzerland, Austria and France to pay for the defence. But, he added, courts in those countries had refused to lift the freeze orders.

Mr May said he believed some agencies of the government had hinted to the courts that they would not be unhappy if the accounts remained sealed.

In a hearing yesterday Judge Hoeveler gave defence lawyers until Friday to see if they could obtain funds to pay for the general's defence from the frozen European accounts. The judge said that if they were unsuccessful he would appoint lawyers to conduct the general's defence under provisions of the Criminal Justice Act. This would in effect make the general a recipient of legal aid.

The judge said he hoped the current defence team would agree to accept the appointments. However, they would be paid at relatively low rates and the funds available to them for research would be limited.

The legal battles over the recording of the general's conversations with his lawyers, and over their pay, make it increasingly doubtful the trial will start on January 28, Judge Hoeveler's target date.

# Racketeering allegations leave Chile's army under siege

**Leslie Crawford on a steamy saga that has captured the public's imagination**

THE STORY so far. A wealthy Santiago restaurateur, Mr Aurelio Sichel, was murdered. His young and beautiful widow accused a former captain of Gen Augusto Pinochet's secret police of killing him.

She claimed her husband had been swindled by a clandestine money racket run by officers of the Chilean army, and was eliminated when he threatened to blow the whistle.

The investigating magistrate then apparently committed suicide by dousing herself and her car with petrol and blowing herself up in a secluded spot. Last week an army intelligence major was shot dead in front of his lover. Police found cheques and documents in his car linked to an illegal bank known as La Cutufa.

Retired captain Patricio Castro Münoz was charged with the murder of Mr Sichel and is detained in Paraguay, where he had fled with $1.5m. His alleged partner in the money racket, army captain Gaston Ramos, gave himself up and is currently detained. His house was bombed.

The steamy saga surrounding La Cutufa has gripped Chile like no other scandal before, as television, radio and newspapers outdo one another to bring the latest revelations of the "mafia" that operated inside the Chilean army.

Gen Pinochet, who stepped down as the country's dictator in March but remains commander-in-chief of the army, has launched an internal investigation to determine the extent of the rot. So far four generals, including Gen Hugo Salas Wenzel, the third in command, have been forced to retire. Sixteen officers have lost their careers and 200 more have been sanctioned.

The government has launched its own investigation into the affair.

According to Mr Gaston Urreta, the lawyer acting on behalf of Mr Sichel's widow, La Cutufa enticed army officers, businessmen and members of Santiago's high society to entrust their savings in return for astronomical interest rates, tax free. The money was used to finance a network of shady deals, including cocaine trafficking, arms smuggling and the illegal export of Indian mummies from the northern Atacama desert.

Over five years La Cutufa is said to have handled more than $50m. The racket fell apart when creditors such as Mr Sichel, who had sunk $1m into it, got cold feet and demanded their money back.

"These problems could have arisen because the army's attention was devoted to political matters instead of its professional role," said Gen Fernando Matthei, commander-in-chief of the air force, in a veiled criticism of Gen Pinochet's stranglehold on power during his 16 years of rule.


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LEGAL NOTICES

No. 008901 of 1990

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

In the Matter of FEDERATION MUTUAL INSURANCE LIMITED
and
In the Matter of EQUICO INTERNATIONAL LIMITED
and
In the Matter of THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 25th October 1990 presented to Her Majesty's High Court of Justice by the above-named Federation Mutual Insurance Limited (hereinafter called "FMI") for:

(1) the sanction under section 49 of the Insurance Companies Act 1982 to a Scheme providing for the transfer to the above-named Equico International Limited (hereinafter called "Equico") of the whole of the long-term insurance business carried on by FMI; and

(2) an Order making ancillary provision in connection with the said transfer under Section 50 of the said Act.

Copies of the Petition, the Scheme, a report by FMI's actuary and a report by an independent actuary in pursuance of the said Section 49 may be inspected at each of the registered offices specified in the Schedule hereto during usual business hours for a period of 21 days from the publication of this notice.

The Petition is directed to be heard before the Honourable Mr. Justice Morritt at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 10th day of December 1990, and any person, including any employee of the said companies, who claims to be adversely affected by the Scheme may appear at the time of hearing in person or by Counsel. Any person who intends so to appear, and any policy holder of the said companies who dissents from the Scheme but does not intend so to appear, should give not less than two clear days prior notice in writing of such intention or dissent, and the reasons therefor, to the Solicitors named below.

Copies of the documents specified above will be furnished by such Solicitors to any person requiring them prior to the making of an order sanctioning the Scheme on payment of the prescribed charge therefor.

DATED this 7th day of November 1990.

Vizards, 42/43 Bedford Row, London WC1R 4LL, Solicitors for Federation Mutual Insurance Limited.

Linklaters & Paines (Ref: RCTH), Barrington House, 59-67 Gresham Street, London EC2V 7JA, Solicitors for Equico International Limited.

THE SCHEDULE

Federation Mutual Insurance Limited
1st Floor, Suffolk House,
College Road, Croydon, CR0 1PF Surrey

Equico International Limited
Suite 28, 140 Park Lane
London W1X 4DN

LEGAL NOTICE

To Dennis Jones of El Oasis Andaluz, Parcela 376, El Paraiso, Estepona, Marbella, Spain.

TAKE NOTICE that an action has been commenced against you in the High Court of Justice, Queen's Bench Division, 1990 C No. 10016 by David Ferguson Calow and Simon Michael Gordon, in which the Plaintiffs' claim is for £279,675, together with interest from 20th June 1990 to the date of issue (5th November 1990) being £15,975.97, and thereafter at the rate of 15% per annum to the date of Judgment or sooner payment.

And that it has been ordered that service of the Writ of Summons in the said action on you be effected by this advertisement.

AND FURTHER TAKE NOTICE that you must within twenty-one days from the publication of this advertisement, inclusive of the day of such publication, acknowledge service of the said Writ of Summons by completing a prescribed form of Acknowledgment of Service which may be obtained on request from the solicitors whose name and address appear below, otherwise Judgment may be entered against you.

Messrs. Gordon Dadds,
80 Brook Street,
Mayfair,
London W1Y 2DD (Ref: 35/HJR)

Dated 14th November 1990 Plaintiffs' Solicitors

LEGAL NOTICE

To Dennis Jones of El Oasis Andaluz, Parcela 376, El Paraiso, Estepona, Marbella, Spain.

TAKE NOTICE that an action has been commenced against you in the High Court of Justice, Queen's Bench Division, 1990 C No. 10017 by David Ferguson Calow and Simon Michael Gordon, in which the Plaintiffs' claim is for £377,295, together with interest from 17th September 1990 to the date of issue (5th November 1990) being £7,752.50, and thereafter at the rate of 15% per annum to the date of Judgment or sooner payment.

And that it has been ordered that service of the Writ of Summons in the said action on you be effected by this advertisement.

AND FURTHER TAKE NOTICE that you must within twenty-one days from the publication of this advertisement, inclusive of the day of such publication, acknowledge service of the said Writ of Summons by completing a prescribed form of Acknowledgment of Service which may be obtained on request from the solicitors whose name and address appear below, otherwise Judgment may be entered against you.

Messrs. Gordon Dadds,
80 Brook Street,
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Dated 14th November 1990 Plaintiffs' Solicitors

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AMERICAN NEWS

# Argentina looks into its 'missing' central bank funds

By John Barham in Buenos Aires

IN the 1970s, Mr Ricardo Molinas, an avuncular jurist and human rights activist, fought to save the lives of Argentina's political prisoners.

Now, as a government ombudsman, he is setting the record straight in a less dramatic, but equally damaging chapter of Argentina's history.

President Carlos Menem has asked Mr Molinas, 72, to investigate the "disappearance" of $67.5bn from the central bank over the past decade in an attempt to recover the money. That is a sum roughly equivalent to the entire foreign debt, or a year's national income.


Carlos Menem: wants to solve mystery of $67.5bn

The story begins in September with a speech by Mr Roque Fernández, a central bank director, to a seminar discussing ways of rendering the central bank independent of government.

Mr Fernández calculated that reckless printing of money cost Argentina $67.5bn, and several inflation records, between 1980 and 1989.

Mr Molinas, speaking behind a desk cluttered with papers and a leather-bound copy of the constitution, says: "It is practically impossible to recover all the money, but at least [the investigation] will be a record for the country to learn from. There can be no sanction for crimes."

Similar sentiments were voiced during the celebrated 1985 trials of the nine generals who led Argentina's military governments. As well as killing their opponents, they unleashed a wave of financial speculation, indebtedness and business corruption.

Mr Fernández says that "pressure groups were able to appropriate more than three-quarters of the monetary expansion" through often-fraudulent financial deals. But to this day, many of these bankers, businessmen and politicians retain prominent – even honoured – positions in public life, free of punishment or stigma.

Neither is the central bank free of blame, because lax regulation allowed banks to be plundered.

Bankers would make cheap loans to their associates, or paid them above market interest on their deposits. When the bank failed, the central bank repaid government-guaranteed deposits.

Efforts to recover the money are bogged down in interminable court cases. Mr Fernández calculates that bank failures and repaying deposits alone cost $10bn in the past decade – all of it covered by printing money.

Mr Molinas adds that speculation helped destroy Argentina's economy and society: "People would sell their possessions to speculate, instead of investing their money productively."

It is no accident that Argentina's gross national product declined by a tenth during the 1980s or that the currency lost 99.99 per cent of its value in five years.

The president's promise to pardon generals serving long prison sentences for crimes such as, mass murder and rebellion undermines the crusade against crooked financiers, Mr Molinas says.

Deeply cynical Argentines doubt Mr Molinas's investigations will get very far. As always in Argentina, there is a political dimension to every government decision.

By coincidence, the central bank's figures show that the worst abuses took place under the inept government of former president Raúl Alfonsín, a bitter enemy of Mr Menem.

ARGENTINE CENTRAL BANK LOSSES 1980-89 ($bn)

| | |
|---|---|
| Monetary and foreign exchange policies | 37.902 |
| Supporting financial institutions | 14.638 |
| Financing the government | 12.661 |
| Financing foreign trade | 2.275 |
| TOTAL | 67.476 |

Source: Central Bank

# Puerto Rican fund prompts new interest

**Canute James** on why Caribbean countries are looking for new sources of capital

CARIBBEAN countries, faced with the prospect of reduced official assistance and cutbacks in private investment, are increasingly turning to a Puerto Rican financing facility.

Set up four years ago, the facility, which is intended to finance regional industrial and commercial ventures, has only begun to find favour in the past nine months. Just over $530m has now been committed for a range of ventures in several Caribbean countries.

Mr Alfredo Salazar, the head of Puerto Rico's Economic Development Administration, said recently: "This effort started in 1986, but it is only recently that we have seen it being used so much. This is because many countries either have problems in getting the usual assistance from elsewhere, or foresee such problems in raising money for investment."

Puerto Rico established the facility from deposits made by companies operating subsidiaries on the island. Under Section 936 of the US Internal Revenue Code, US companies with subsidiaries in Puerto Rico are exempted from federal taxes on profits if these are deposited in local banks.

Such deposits now stand at just over $9.5bn, representing 37 per cent of the funds lodged in Puerto Rican banks.

In 1986, Mr Rafael Hernandez Colon, Puerto Rico's governor, announced that he was committing $100m annually for investments and joint industrial ventures in neighbouring Caribbean countries.

These loans are commercially competitive, with interest rates of between 1 and 2 per cent below the London Interbank Offered Rate. But the scheme was hampered by US demands that Caribbean countries making use of the money first sign tax information exchange agreements with Washington.

Several governments were concerned about the terms of such tax treaties, intended by the US authorities to help combat money laundering, but considered by some as violating national legislation on banking secrecy.

However, the decision of six countries – Barbados, Jamaica, the Dominican Republic, Dominica, Grenada and Trinidad and Tobago – to sign the treaties have boosted the use of the funds.

Costa Rica, Honduras and St Lucia are expected to follow suit, and Guyana has begun negotiations with the US.

The Puerto Rican administration and the governments of likely beneficiaries regard the facility as a potential replacement for investment from traditional sources.

Trinidad and Tobago is the largest user so far, having borrowed $149m to finance a methanol plant and a natural gas processing facility.

State-owned Air Jamaica has borrowed $51m to upgrade its fleet by purchasing two A-300 Airbuses from the Brazilian airline Varig. This follows a previous loan of $8.7m to build low-cost housing on the island.

The Dominican Republic, which has been suffering from inadequate electricity supplies, is to benefit from a loan of $18m to construct and equip a 40MW power barge.

A further $17m is being borrowed for a fibre-optic cable, to be installed by AT&T of the US, which will link South America via several Caribbean islands to the Florida peninsula.

"I expect more countries in the Caribbean will turn to the 936 facility as a source of investment funds," said a government official in Barbados, where telecommunications infrastructure is being improved with the help of a $13m loan from the facility.

"Despite recent assurances from traditional donors, there are already signs that bilateral assistance to this region is unlikely to increase. And we can no longer expect new investment from traditional sources as these are likely to be channelled to places like eastern Europe. There is a significant advantage in using the Puerto Rican funds," the official said.


Rafael Hernandez: $100m annually for the Caribbean

The increasing use of the facility follows success by Puerto Rico in stimulating industrial co-operation with its neighbours.

Under a "twin-plant" programme, companies operating in Puerto Rico have been trying to reduce costs by completing primary processing and assembly of products on neighbouring islands before performing finishing and quality control procedures in Puerto Rico.

Initial fears by Puerto Ricans that the programme would lead to job losses and by Caribbean governments that there would be little transfer of technical and management skills, appear to have faded.

According to the Puerto Rican Economic Development Administration, the Caribbean programme – twin plants and 936-funded investments – have created just over 15,000 jobs in neighbouring countries and 4,000 in Puerto Rico since 1986.

For Puerto Rico, however, the continued success of the programme means more than maintaining competitiveness and assisting neighbouring states in economic difficulties. The continuation of Section 936 of the Revenue Code is itself at stake.

The code has been frequently questioned by legislators in Washington, keen on finding ways to reduce the federal budget deficit.

Because of the incentives it offers to mainland investors, and the financial stability such deposits provide, the code is fundamental to the Puerto Rican economy. By showing that funds can assist the economic development of Caribbean countries – a region to which the Reagan and Bush administrations have publicly committed themselves – Puerto Rico is hoping that congressmen and senators will be less inclined to tamper with Section 936.

# Titan 4 is launched after delay

A TITAN 4, the rocket that will allow the US military to reduce its dependence on the space shuttle, has lifted into orbit what is believed to be a satellite capable of warning against missile attack, AP reports from Cape Canaveral.

Monday's launch had been delayed two months by problems including a leaking propellant.

Air force officials refused to acknowledge the launch prior to lift-off and would not disclose the nature of the payload. But civilian experts believe it was a missile warning satellite, valued at $180m.

A spacecraft of this type could be used to detect the launch of Iraqi missiles against sites in the Middle East, according to Mr John Pike, director of the Federation of American Scientists' space policy project. It was the air force's third launch of the Titan 4. The first was in 1989, and the second in June.

Neither suffered from a problem with leaking propellant, according to Colonel Frank Stirling, director of the Titan programme.

Martin Marietta Space Launch Systems of Denver has a $7.1bn contract with the air force to supply 41 Titan 4 rockets, with an option for eight more. The air force wants 75 by the end of 1997.


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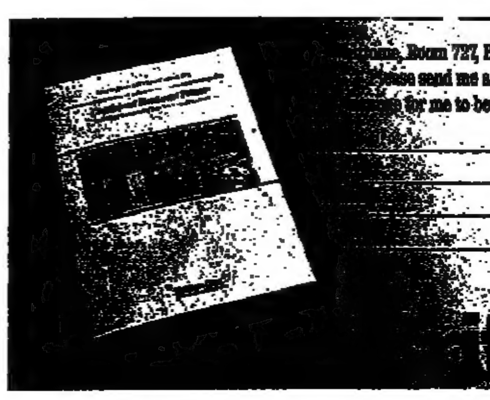

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## Heseltine maps out vision of European future

MR MICHAEL Heseltine yesterday told politicians in Frankfurt that his vision of Europe was evolutionary and that he was neither a federalist nor a forceful proponent of monetary union, writes Andrew Fisher.

The former defence secretary came out against views expressed by Mrs Thatcher about the European Community's future. And in an obvious swipe at the prime minister's reluctance to give up government control of monetary policy, he called for the restoration of the Bank of England's independence to beat inflation and strengthen Britain's hand in European monetary negotiations.

Mr Heseltine made clear his view that Britain should be involved in important EC decisions, rather than standing apart. But he emphasised that he saw the EC as a club – "increased political co-operation certainly, but not a political federation". He did not expect any political structures to emerge that would submerge the instincts of national sovereignty.

Mr Heseltine was speaking at a conference organised by the Kangaroo Group of European parliamentarians.

Britain was right to be cautious about economic and monetary union (EMU), "but the proviso remains: to persuade our European partners to recognise caution for the prudence that it is, we have to recognise their belief that the journey upon which we are embarked has a destination."

Through its membership of the Exchange Rate Mechanism, its signing of the Single European Act, and the Treaty of Rome, Britain's economy would become interwoven with the EC's growing market-place, he added. "So better by far to reach for the levers of power, if only to prevent others from pulling them first."

# Tory MPs staggered by barrage on Thatcher

By Ralph Atkins and Alison Smith

THE FULL impact of Sir Geoffrey Howe's barrage took some time to sweep through the House of Commons.

His 19-minute speech was heard in almost complete silence in the packed chamber. That was partly respecting the tradition for resignation statements. But even without the conventions, Tories would have been dumbstruck. "It was like an exocet - not just one exocet," said a previously-loyal Thatcherite.

Only as MPs streamed out into the corridors and tearooms, were the implications assesed. "How can she survive that?" asked one, betraying the nervous excitement that has gripped backbenchers this week. "I never knew the man had it in him," former Thatcherites and dissidents said almost in unison.

Even senior ministers, who must have seen from inside the scale of the differences, were taken aback. "It was an extraordinarily powerful speech," said one. Will the prime minister withstand the shock? I think she *can* but I choose my words carefully."

Sir Geoffrey's nickname, the "dead sheep", (first used by Mr Denis Healey, Labour's former deputy leader) was rapidly reappraised and over-used. "If that was a dead sheep, what would it be like if she was hit by a rhino?" asked one of Mr Heseltine's supporters.

The atmosphere in the Commons was tense even before Sir Geoffrey started. It was to tighten still further before he sat down.

The first joke won laughs from both Conservatives and Labour. "I must be the first minister in history to resign because he was in full agreement with government policy," he said.

Lydia Van Der Meer

Thatcher: she sat impassively during Sir Geoffrey's barrage delivered to a silent House

When Sir Geoffrey accused the prime minister of sending her "opening batsmen to the crease only for them to find, the moment the first balls are bowled, that their bats had been broken before the game by their team captain," the smiles had gone on the Tory benches.

Later, MPs and ministers surveyed the damage with an air of confusion and despair. Tories joined Labour in the imagery of bayonets and daggers.

There was little chance of trying to persuade Mrs Thatcher to change tack, one minister agreed. "She is a born fighter. There is no use her trying to pretend she is a little old lady who likes small children," he said.

Usually sensible junior members of government reached instant, and mutually contradictory, conclusions about what it meant for the leadership election. One said it would increase abstentions as MPs stepped back after realising how close the party was to the precipice.

Historical comparisons, inevitably, were with the split in the party over the Suez crisis and Leo Amery's call to Neville Chamberlain in 1940 to "In the name of God, go."

Others pointed to Sir Geoffrey's revelations on how the European issue had ended Cabinet government in all but name. "She is holding them all together with a whip and it is disintegrating," said one Tory backbencher.

The Thatcher camp was not entirely deserted, however. One loyalist of the 1987 intake commented: "It's a shame that he should repay her like this after she stood by him when he was chancellor and he was attacked by the 364 economists. It has damaged the party, but she'll come out fighting."

Another remaining Thatcher optimist, said: "It's devastating, but I'll still vote for her."

# The untold story: how the cracks opened on Europe

By Philip Stephens, Political Editor

THE meeting that sealed the fate of two of Mrs Margaret Thatcher's most senior ministers took place on a bright summer morning in June 1989. It may prove to have marked the beginning of the end for the Prime Minister herself.

It was on the morning of Sunday June 25th when Sir Geoffrey Howe, then foreign secretary, and Mr Nigel Lawson, then chancellor walked into No 10 Downing Street.

They joined Mrs Thatcher in her study. Only one other person was present - Mr Charles Powell, the Prime Minister's private secretary.

Later that afternoon Mrs Thatcher and her foreign secretary were due to fly to Madrid for the six-monthly summit of European Community nations. But first, as Sir Geoffrey hinted in his resignation speech yesterday, her chancellor and her foreign secretary were to deliver an ultimatum.

For the first time since they had first tried - and failed - to persuade her to join the European Monetary System four years earlier, the two most senior members of the Cabinet were prepared to make the ultimate threat.

Unless Mrs Thatcher agreed in Madrid to fix a firm timetable to take sterling into the EMS exchange rate mechanism (erm), they would resign.

She had 24 hours before the start of the summit the following day to make her choice.

Mrs Thatcher had sought to avoid the showdown. Her private office had tried to arrange the morning so that she would see the chancellor and foreign secretary separately.

But since deciding a few weeks earlier that they could no longer accept Mrs Thatcher's refusal to tie sterling to the D-mark, Mr Lawson and Sir Geoffrey had kept in close touch. They went together.

Their meeting had been preceeded by a lengthy minute – drafted by senior officials from the Treasury and Foreign Office – setting out what the two ministers believed was the overwhelming case for ERM membership.

"If we both sign it we will be safe", Sir Geoffrey had been heard to muse as the text was being prepared.

In essence, it said that it was vital for Britain to be a full member of the ERM club if the Government were to retain its grip on inflation and to have an influential voice in the debate over the Delors report for economic and monetary union. The interests of economic policy and foreign policy were indivisible.

On that fateful Sunday morning the two ministers were prepared to compromise. Their first demand had been that Mrs Thatcher agree that sterling should be in the ERM by the end of the year.

They were ready to accept a more open-ended formula which linked the date of membership to Britain's relative inflation rate and the completion by other European nations of the single market.

Both at that stage thought that inflation would soon fall and that what became known as the Madrid conditions would anyway allow sterling to be tied to be D-mark in six months or so.

Mr Lawson returned next door to No 11 Downing Street. Sir Geoffrey Howe flew off with his prime minister to Madrid. After a further - acrimonious - meeting in Mrs Thatcher's hotel suite that evening, the Prime Minister agreed to conditions.

Thus began the train of events that resulted in yesterday's drama in the House of Commons. A month later, in the July 1989 reshuffle, Sir Geoffrey Howe was forced out of the Foreign Office. Barely three months after that Mr Lawson had resigned.

Yesterday Mr Lawson sat next to Sir Geoffrey as the man who was once dubbed by an opponent a "dead sheep", savaged his prime minister.

Leader, Page 17

## Sun rises to meet challenge from Heseltine

WHEN the going gets tough, the muck gets going, writes Ralph Atkins.

The Sun, Britain's best-selling newspaper, yesterday showed how seriously the threat of Mr Michael Heseltine's candidacy is being taken – at least in the world of tabloid newspapers.

The paper that supports "Maggie" without fear or shame, boasted a front-page colour picture of Mr Heseltine, captioned, "Pretender: Michael Heseltine yearns for the Tory crown, but is he fit to wear it?"

Above, the Sun asked in thunderingly bold type: "If you judge a man by the company he keeps, is Heseltine really fit for No. 10?"

In the Commons the Sun was rebuked sharply by Mrs Thatcher. "Politics are about policy. They should never be about personal attacks on people's way of living" she said.

Allegations of "dirty" tactics are not new in British politics.

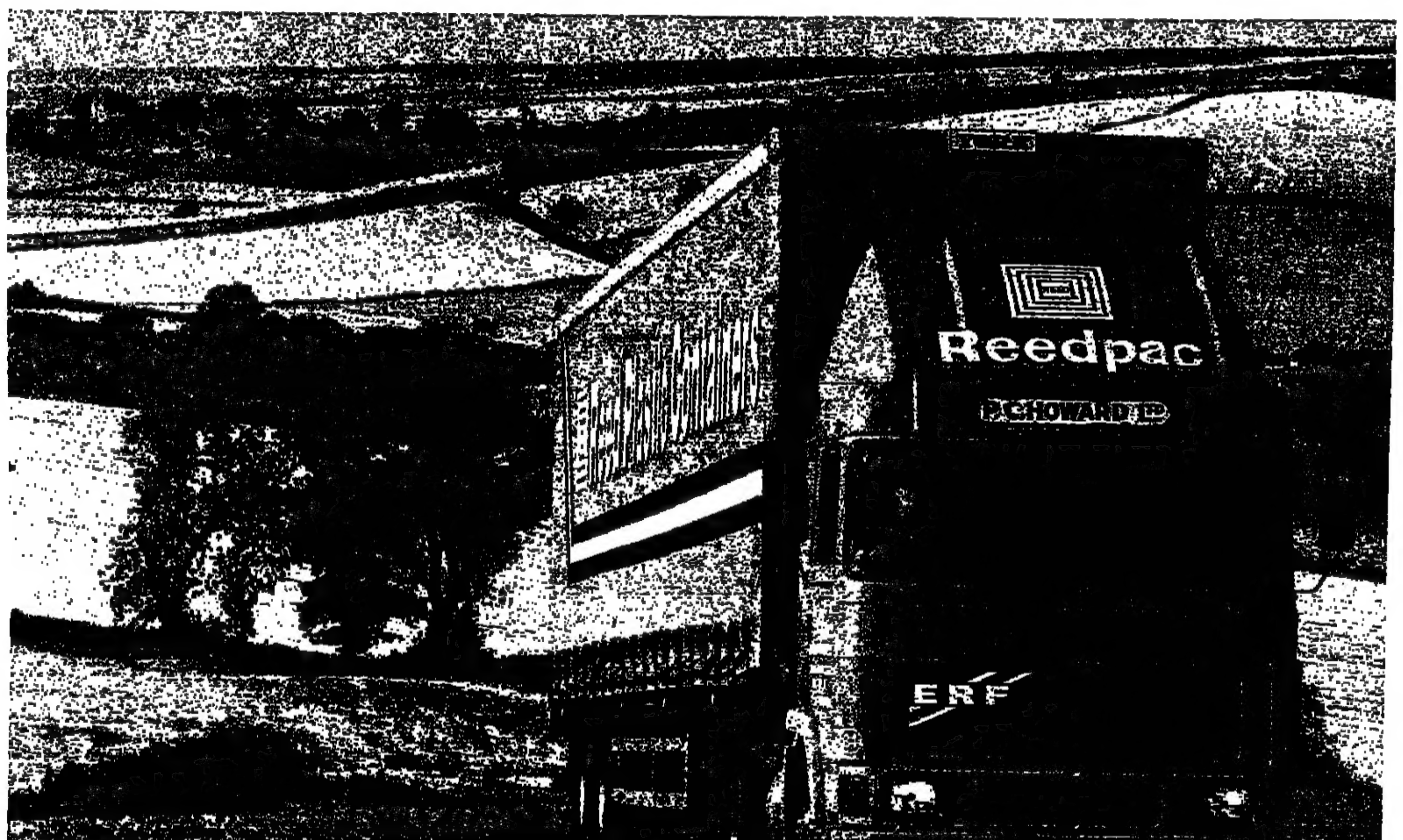
In 1924, the defeat of the Labour government was almost certainly hastened by the "Zinoviev" letter, purporting to come from the president of the Communist third international and urging British Communists to violent revolution.

As Mr Heseltine has moved closer to challenging the prime minister, the accusations and counter-accusations have increased.

*Backbench MPs publicly* calling for a contest have been under pressure. Dissidents have accused of "disloyalty and hypocrisy" by Mr Jeffrey Archer, former deputy chairman of the Tory party.

Conservative Central Office said whispers at Westminster of "dirty tricks" operations were unfounded.

Some would not need prompting, anyway. The Sun's thought for the day? "Ropey, Tarzan."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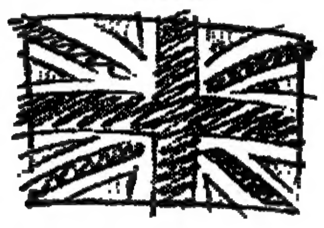
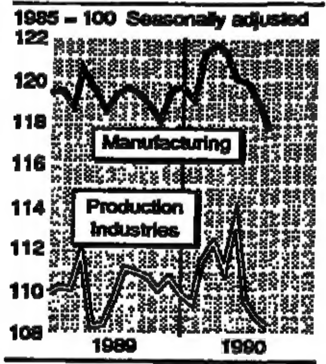


## Output falls sharply in third quarter

Manufacturing output in the third quarter of 1990 declined by a seasonally adjusted 1.8 per cent compared with the previous three months, the sharpest three-monthly fall since the last recession in 1981, according to the Central Statistical Office.

The figures underline the pace of the downturn affecting manufacturing output, which has fallen every month since April when it hit an all-time high.




According to yesterday's provisional figures for September, manufacturing output fell by 1.1 per cent during the month on a seasonally adjusted basis, while output from all production industries, which include energy and water, declined by 0.4 per cent.

The statistics indicate that forecasts in last week's Autumn Statement by Chancellor John Major on manufacturing output for 1990 could prove over-optimistic.

## JWT agency ousts Saatchi

J. Walter Thompson has ousted Saatchi & Saatchi as the best advertising agency in the UK, according to a survey of advertisers' attitudes by the magazine Marketing Week.

The magazine canvassed the views of 150 senior executives of the largest UK advertisers. It asked them to rate the agencies in areas such as creativity, value for money, strategy and media buying.

Last year Saatchi sent a bottle of champagne and a copy of the survey to its employees when it emerged as the agency with the highest overall score. This year Saatchi, which has had to contend with the publicity over its parent company's corporate problems and a series of senior staff defections, was beaten into second place.

## UK institutions target Europe...

Eight out of 10 UK financial institutions have developed special objectives for servicing markets in Europe, although fewer than that have actually set up operations on the Continent, a survey has found.

The survey of banks, building societies and insurance companies in the context of 1992 showed that their principal objectives were to seek out niche markets, diversify their operations and enlarge market share.

The survey, however, by Mintel, the market research company, found that fewer than 50 per cent of institutions had opened businesses in Europe.

By far the most preferred route of entry was joint venture.

## ...but insurers 'will lose out'

UK insurers will lose out from European competition in the 1990s, predicts a new study on the European insurance industry by the management consultancy group Arthur Andersen.

The survey, which is based on in depth interviews with 420 senior insurance executives in 15 countries, predicts a major shakeout as European insurance companies come under increasing competitive pressure from both banks and other insurance companies from outside their home markets.

The survey predicts that by 1995 foreign – mainly European – companies will have a 50 p+er cent share of the UK general insurance market and 26 per cent of the life and pensions market.

## Ruling on SAS urged by priest

European Commission for Human Rights and the European Court of Human Rights should give a ruling on the activities of the SAS and other undercover troops in Northern Ireland, a Catholic priest and human rights campaigner urged in London.

Fr Raymond Murray, who is administrator of St Patrick's Cathedral parish in Armagh, was speaking during a press conference marking the publication in England of his book detailing undercover activities by the British army in Northern Ireland.

## Warnings urged for clingfilm

Clingfilm makers have been urged by the Ministry of Agriculture, Fisheries and Food to include labels advising consumers against using the product to wrap foods with a high fat content, such as cheese.

The ministry was responding to concern sparked by a government report on Monday which recommending that the films should not be used in certain ways until further research into the toxicity of the plasticisers they contain.

The packaging industry and large supermarket chains were digesting the report, which warned on the tendency of the plasticisers to "migrate" into food.

Underlying the Government's new warning is concern about links between chemicals used in plastic wrapping, which can be transferred to food on contact, and cancer.

## Ministry help for Gulf troops

Ministry of Defence is to give financial help to UK servicemen and women deployed in the Gulf to allow them to obtain cheaper insurance cover against death or injury.

The MoD will pay around half of the premiums charged for a special personal accident policy being made available to forces personnel by the insurance brokers Bain Clarkson.

After consultation with the MoD, Bain Clarkson launched its voluntary personal accident or PAX insurance scheme for army and navy personnel in December 1989.

Last month it announced a special version of the PAX policy with higher premiums for service personnel sent to the Gulf.

## Brooke calls for co-operation

Northern Ireland Secretary Peter Brooke called for closer European security co-operation to defeat terrorism.

He said shared information and mutual support for national security and police forces in Europe was the only way "to erase these evil, heartless people."

Peter Brooke: seeks Europe's help on terrorism

Mr Brooke, addressing the Royal Institute of International Relations in Brussels, described the Provisional IRA as an "unrepresentative minority rooted in the past."

Mr Brooke said he had spent much effort in the last year in trying to create a climate for negotiations between the main constitutional parties in Northern Ireland, with the involvement of the Irish Government where it was appropriate.

## UK NEWS

# Virgin seeks right to fly out of London Heathrow

By Paul Betts, Aerospace Correspondent

MR Richard Branson, chairman of Virgin Atlantic Airways, charged British Airways yesterday with uncompetitive behaviour in trying to damage his airline's long distance services from Gatwick airport, London.

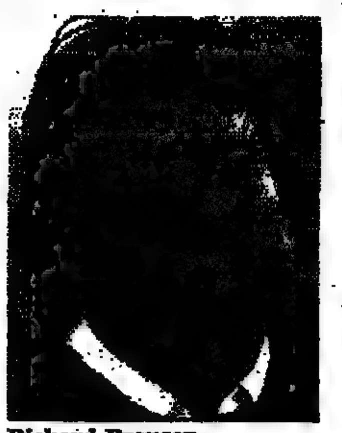
He also confirmed he was seeking rights to operate services out of Heathrow in competition with BA.

Mr Branson said he has already had preliminary talks with Sir Leon Brittan, the EC competition commissioner, and was preparing a case to file a formal complaint against BA with the EC.

He accused BA of selectively discounting fares to uneconomical levels on long-distance services from Gatwick in direct competition with Virgin.

"They are taking advantage of their dominant position at Heathrow to slash fares at Gatwick which they are using as a loss leader to damage a competitor," he claimed. He added that he did not believe BA was making money from its discounted Gatwick fares.

BA yesterday denied Mr Branson's allegations, arguing it was operating in a deregulated market. "Our fares policy is designed for the comfort of consumers and not competitors," it said.



Richard Branson

Mr Branson's attack on BA yesterday reflects the growing tensions developing in the airline industry.

This follows Pan American's decision to sell its north Atlantic routes into Heathrow to United Airlines, the largest US carrier, and the British government's decision to review its air traffic distribution rules for London airports.

American Airlines and Trans World Airways in the US have made counter-proposals to Pan Am, and Virgin is pressing its case for access to Heathrow.

Pan Am and TWA at present have rights to fly into Heathrow, while BA is the only British scheduled carrier serving the US from London's leading airport.

"Our feeling is that United should be allowed into Heathrow subject to the government's review," Mr Branson said. He said Virgin should also be allowed in to the airport, however, so that it and BA would counterbalance the two US carriers.

Mr Branson argued yesterday that the presence of Virgin and United in the Heathrow-US market would greatly boost competition.

He said Virgin's turnover had grown from £115m for the year to June 1989 to £220m for the year to June 1990. Pre-tax operating profits had also increased from £8.7m to £9.3m during the same period.

He expected sales to top £300m for the current year ending June 1991 and profits to show a small gain despite heavy investments for continued expansion and the uncertainties caused by the Gulf crisis.

Mr Branson said the company was increasing its fleet by two Boeing 747 jumbos a year, and the fleet will grow from six to eight 747s within two months.

REVIEW OF TELECOMMUNICATIONS POLICY

# Open choice envisaged in telephone industry

By Charles Leadbeater, Industrial Editor

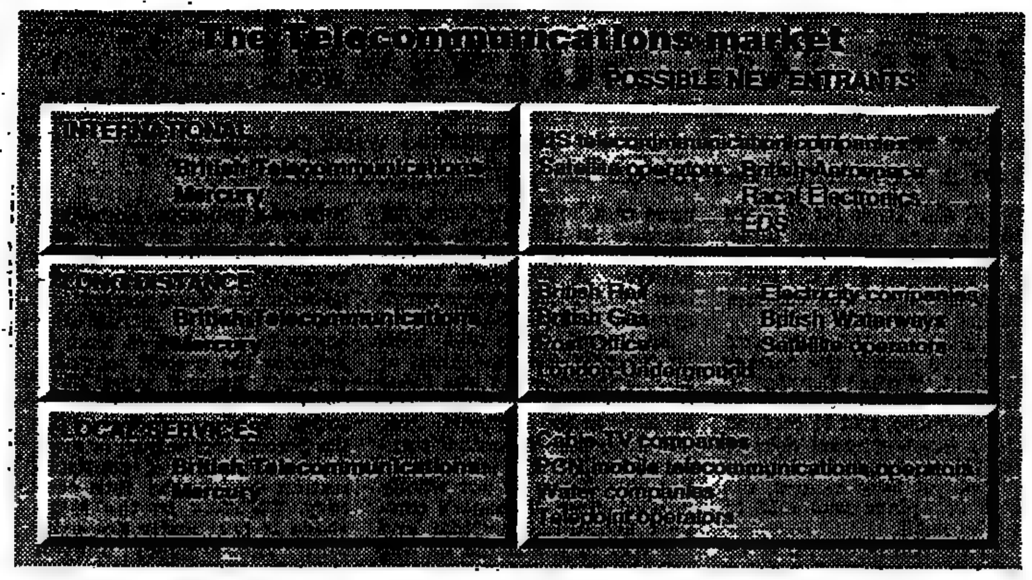
BY THE END of the decade the British telephone consumer could be bombarded by different telephone companies offering him services - from cable television companies and personal communications network operators to networks run by the likes of British Rail and large companies leasing out lines they do not use.

This is the picture of increasing diversity, choice and competition which is sketched out by Competition and Choice : Telecommunications Policy for the 1990s, the government's long awaited review of the telecommunications industry.

The paper launches a review of the industry which will come to a head when Mr Peter Lilley, the Trade and Industry Secretary publishes his conclusions in January. Although the paper is consultative it is clear where Mr Lilley is headed: towards more competition.

Mr Lilley starts from two premises. The first is that open competition stimulates better services for consumers and encourages innovation among producers. Thus he is to consider a range of proposals which would introduce much more competition in providing, local, long distance and international services.

The second premise is that British Telecom's overwhelming position in the market means competition will only develop with the help of regulation to prevent distortions and imbalances.




At the moment competition in the telecommunications market is limited. The only fixed link competitor to BT is Mercury, the operator licensed in 1982. The mobile cellular operators Vodafone, run by Racal Telecom and Cellnet, run by BT and Securicor, have augmented this. In addition cable television operators provide telephony services to about 1,500 customers.

Mr Lilley's aim is to encourage more of a free-for-all and he is considering subjecting BT and Mercury to more competition.

The paper says the government will consider favourably applications for licenses for fixed link networks in the local, long distance and international markets. This would open the market for the likes of British Rail to run cables along its railway lines.

The government will consider sympathetically proposals from operators of mobile services to run complementary fixed link services in the local network.

There will be increasing competition between radio technologies and fixed hard wire technologies in these local links between a consumer and his local exchange.

For the foreseeable future the fixed link operators will not be able to move into mobile services, under their main operating licenses.

One of the most radical proposals is to split the market into retail and wholesale segments. Oftel will examine whether BT and Mercury should be required to permit other companies to retail telecommunications services, after buying capacity wholesale from the operators.

In trunk services, as well as allowing new fixed link operators, Professor Carsberg supports the progressive introduction of "equal access".

In addition companies will be able to install and run their own internal networks rather than leasing lines from BT or Mercury. If large companies which installed these networks then found they had excess capacity which they wanted to retail to the public they would have to apply for a license.

On international services, BT's prices will be capped and the government is considering the simple resale by companies of private circuits from their internal systems which they do not fully use.

The other main conclusion of the review is that there is continuing need for regulation to ensure that BT does not deter new entrants from entering a market or strangling them once they did.

# European power industry unlikely to use UK model

By Juliet Sychrava

FT CONFERENCE
WORLD ELECTRICITY

THE restructuring of the UK electricity industry is a risky experiment, unlikely to provide a model for the rest of Europe, Dr Otto Majewski, deputy chairman of the German electricity company Bayernwerk, told delegates on the second day of the Financial Times World Electricity Conference.

The UK model could simply shift the electricity monopoly from generation to transmission, he said, and might impose new regulations without ensuring secure supply.

Voluntary co-operation between electricity utilities including common ownership of power plants and freedom to choose where to site new plants was, Dr Majewski believed, the only way to achieve a federal European electricity industry. National energy policies, he believed, should remain intact.

Dr Patrick Moriarty, chief executive of the Electricity Supply Board (Ireland), had similar reservations about electricity privatisation, which he said had given governments the chance to get aboard the the "greatest gravy train ever invented." But the example of the Irish electricity industry showed that state ownership and efficiency were not necessarily mutually exclusive.

Electricity prices in Ireland, he pointed out, were below the UK and European average. Electrification in Ireland, Dr Moriarty believed, would not have been so successful if it had been handled by numerous small, private utilities.

Looking to Europe, however, the electricity industry would have to break with the past. It would be an unbundled industry, with a range of distribution and generation companies and a freely accessible pan-European transmission system.

This new system, he said, could bring considerable economies of scale. Criticism of the restructured electricity industry also came from Mr Malcolm Edwards, commercial director of the British Coal Corporation.

The horizontal division of the electricity industry, he said, would encourage short-termism, and the sacrifice of future investment to present profits. The coal business in particular, he said, relied on long-term contracts in order to invest, and the new industry left it without that security. But, he warned, the electricity industry and the government ignored the long-term at their peril.

There was, Mr Edwards suggested, no long-term substitute for coal: nuclear fuel was expensive and possibly unsafe, and renewable were inadequate. The current popularity of gas, he said, was depleting gas reserves, to the extent that the UK would have to rely on expensive imported gas in the future.

The UK would continue to depend on coal, Mr Edwards said, and the new, slimline British Coal Corporation would provide the cheapest coal in Europe: Germany, he pointed out, is committed to producing coal at twice the British cost until 2010.

In the absence of a UK energy strategy, said Mr Edwards, the new electricity generators, said Mr Edwards, carried the heavy responsibility of deciding how much coal the electricity industry would need. They should also think, he said, about currency risk. A shift of just 10 cents in the price of foreign coal could cost them £200m.

Coal, suggested Mr Mans Lönnroth, political adviser to the Swedish prime minister, had no future. Despite OECD forecasts for growing coal use, he believed alternatives such as natural gas, and more exotic technology using sunlight, would replace it.

Considering his theme of "green" electricity, he said that one third of all carbon dioxide emissions in Europe were produced by the electricity industry. But, he concluded, the technology for an acidification-free industry was available; only international commitment was still necessary.

A final paper on electricity and the environment was given by an independent analyst, Mr Walter Patterson, who discussed the new demands the industry would have to meet in the 1990s.

The US answer to electricity pollution – tradeable emission allowances – was discussed by Mr Richard Lehfeldt, formerly an energy adviser to the US government.

Some 250,000 tons of these emission allowances, which give the owner the right to emit one ton of sulphur dioxide in a particular year, will be auctioned to new independent entrants to the US electricity market in 1993.

The licences, together with those held by existing players, make up the 8.9m ton ceiling for sulphur dioxide emissions being placed on the industry from the year 2000 by the controversial Clean Air Act, introduced in October.

The new system, Mr Lehfeldt said, would ensure that the true costs of burning coal were reflected in the price of electricity. They also represented the first statutory recognition of the nascent independent power industry in the US.

Coal, Mr Colin Playle, marketing director at British Gas, reminded the audience, is far less environmentally sound than gas, which burns 60 per cent less carbon dioxide. Gas also produces 1,000 times less sulphur dioxide than coal.

Combined heat and power systems, another important future use of gas, cut emissions even further, Mr Playle said. Reviewing the steps British Gas had taken to introduce competition in the gas industry, he concluded that growing electricity demand would largely be met by gas. The UK electricity industry, he said, would probably require 3000 million therms of gas per year by the end of the decade, to feed new gas-fired power stations. Another alternative fuel for electricity, a bitumen-based liquid fuel called orimulsion, was discussed by Dr Manuel De Oliveira, chief executive of BP Bitor.

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British Steel: adding value

MANAGEMENT

Dacia

# Pride and loyalty may not be enough for survival

**Judy Dempsey** continues the series on east European companies with potential by examining the prospects of a Romanian car maker hardly changed since 1967

Constantin Stroe, the director of the Dacia car plant, exudes optimism, not a common trait to be found these days among senior Romanian managers. When I met him recently at the Bucharest Trade Fair, he was keen to argue that the company, which was set up in 1967 with the help of Renault, would prosper in the future.

Stroe looked prosperous enough. His stocky frame was fitted into a smart blue suit; and armed with a packet of Kent cigarettes, a persistent status symbol in Romania, he was keen to convince me that the country's ailing car industry could be revived.

The Dacias, modelled on the old Renault 12, but the subject of much derision and jokes, were on display outside the company's smart exhibition offices. The freshly-polished cars were shining under the bright morning sun. Young and old Romanians who passed by the Dacia stand looked at them with some envy.

Mircea, a friend who had ordered a new car back in 1987 and had even placed a deposit on it, reckoned his car would be coming off the assembly line sometime in 1991. The last time he bought a car was in 1979. Why was there such a delay in meeting these orders?

In the early days when the plant was first built, the cars rolled off the assembly line with considerable speed and efficiency. The French, who had built the factory so that their Romanian partners could build Renaults under licence, were hoping to establish a long-term foothold in the country. After all, with a population of 23m people, it seemed an attractive idea at the time.

And besides taking advantage of cheap Romanian labour, Renault included in the agreement the provision by Dacia of gear-boxes and other parts to be sent directly to its plant in France. The partnership lasted for ten years.

"Then it was interrupted," explains Stroe, who has worked with Dacia for 23 years and who was appointed director six years ago. "There was no consultation with the workers at the plant. The contract was not renewed."

At that time, the Romanian leadership under the former president, Nicolae Ceausescu, who was toppled from power last December, had to contend with a large external debt of over $10bn. Although imports had not yet been banned, the Dacia car plant was told to fend for itself.

"By the end of the 1970s, we were relying on our Romanian suppliers for all spare parts. For instance, one enterprise supplied us with upholstery,

EASTERN PROMISE

another with tyres and so on. It was not an easy arrangement. We had contracts with over 160 enterprises. Each enterprise was bound by the Plan which was set by the (now disbanded) State Committee for Planning. Even if we wanted to increase production, it would have been difficult. We were completely reliant on our suppliers. Their production output was bound by the Plan," says Stroe.

The upshot was that as imports were banned during the 1980s, as energy for both the consumer and industry was rationed, and as capital investments were radically cut back, the number of cars coming off the assembly line decreased.

"Since 1967, we have made 1.5m cars. We were producing about 100,000 cars a year. There is room for greater capacity. We could make 50,000 more cars," explains Stroe. An increase in production might also make the price more competitive. A four-door Dacia costs 90,000 lei. The average monthly salary is 2,500 lei.

Since 1967, Stroe says, 11bn lei (roughly the equivalent of $1bn before the Lei was twice devalued this year) has been invested in the company. Over the same period, annual turnover totalled 8bn lei ($784m). But this figure is not wholly reliable given Romania's complex accounting system and the way in which the lei was calculated against other east European currencies.

The 100,000 cars which rolled off the lines were not all earmarked for the Romanian driver. About 50 per cent were exported to the other east European countries. Inevitably, the waiting list, and the delivery date for the weary but patient Romanian, became longer.

As I walked around the Trade Fair grounds, I had to push my way through thick crowds who were milling around the South Korean stand. They were mesmerised, not only by the impressive display of televisions, videos and hi-fi products to which the Romanian consumer had little access during the Ceausescu era, but also by the sleek design of the cars from Seoul which confirmed to the public the backwardness of Romanian design.

Romanian officials later hinted that South Korea might be interested in exploring the idea of setting up a production plant in Romania.

How would that affect the Dacia factory at Pitesti?

Pitesti, which has a population of 200,000, is located about 120 kilometres west of Bucharest. The factory, set on a hill overlooking the city, employs 27,000 people. The entrance to this vast enterprise is heavily guarded. The first thing the young security guard did as we showed our identity papers was to search the boot of the car. "Theft is normal here," quipped a colleague. Some people try to bring in "gifts" and receive spare parts in return. Invariably, Dacia car owners resort to the black market.

The factory, stretching across 90 hectares of land, is probably the nearest reminder of what Europe must have been like during the early stages of reconstruction after the Second World War, or even during the height of industrialisation during the 19th century. Lighting in the large sheds is practically non-existent. The slippery uneven stone floor is black and greasy. Trolleys, laden with steel panels, trundle along the length of the sheds on old, rickety, narrow rails. In the dark workshops women huddle over old machines, in the dim light of a single adjustable lamp.

The state of backwardness is even more striking at the cutting and pressing machines which are manned by a team of four. Two men lift steel panels onto a thick, iron block. One of them presses a button. A giant steel cutter, perched several feet above the block, slams down on the panel. The men then pull away the severed bits of steel and place them onto the growing heap of waste.

Another pair of men place the freshly-pressed panel onto another heap, waiting for a trolley to take them away. This action is repeated over and over throughout the day against a background of unremitting noise.

In the shed specialising in spraying the cars, there were precious few signs of robots. Instead, the place was decked with spray guns. There were face masks, little sign of protective overalls, helmets, or ventilation systems. As in the rest of eastern Europe, health and safety at the work place has a low premium.

However, the men who work at the Dacia car factory, despite their low morale, retain a strong loyalty to the company. They also have pride. But both traits may not be enough to save the plant if it is to survive.


Dacia cars are produced in a factory reminiscent of those prevalent at the height of industrialisation in the 19th century

Gabriel Sicoe, the 33-year-old chief of the planning sector who has been in the job for less than a year, does not conceal his worries about the future.

"We are now producing between 200 and 250 cars a day [the equivalent of between 70,000 and 91,000 cars a year]. But everything has been turned upside down since December." He says that under the old system there was a fixed system of quotas and instructions which came down from the top. "But now, there is no head. We are being left to our own devices. We have problems with receiving supplies. So the output naturally continues to fall," says Sicoe.

He is the first to admit that the design of the car, despite some modifications, is still 20 years old. He argues it must be changed if the plant is to survive and compete. But Sicoe adds: "It is a question of the quality of the components and the quality of the work. Most of the people here have been through only twelve classes in school, [education up to the age of 16]. The workers are well-intentioned. But it is not enough. They need to be trained and motivated."

The workers have mixed feelings about the future. On the one hand, they say that Renault should come back and modernise the plant. But on the other hand, they think that this would lead to unemployment and a radical shift in work habits. They are also ambiguous about the reforms now being undertaken by Petre Roman, the Prime Minister.

On November 1, the Romanian government liberalised prices, allowed factory managers to set their own salaries, (at or above the minimum monthly salary of 2,300 lei) and permitted foreign investors to buy 100 per cent of the shares of a Romanian company. If the reforms are implemented, management will have considerable leeway in pushing through changes, seeking new partners abroad and deciding on production levels.

The workers at Dacia are uncertain, if not critical, about the direction of the reforms. In particular, what they object to is the way in which the State no longer protects them.

Dinu Ciorolanu works on the assembly line. Like many of his colleagues, he thinks Renault should come back and invest again in Dacia. But in the meantime, he worries about the morale of the workforce and harbours a feeling of nostalgia for the past.

"Because the Plan, and the old system of contracts, have been dissolved, supplies to us can no longer be guaranteed. Some days we cannot work. This year, we have lost 20 days in production because of this problem. We have to find our suppliers ourselves. It is not easy." Workers receive 75 per cent of their pay if they remain in the factory on days when there is no work, and 60 per cent pay if they go home.

"It was better before," continues Ciorolanu. "The government was obliged to help us. Now the government is no longer obliged to help. I am confused about the situation. The government is leaving us on our own. Petre Roman has never visited us. Ceausescu came here several times."

Other workers think that the way to cope with the continuing shortage of spare parts is simply to produce less, even though demand continues to rise. "And why not?" asks Ion Coman who also works on the assembly line. "I don't see any other way around it."

Sicoe, who, like the officials and workers looks much older than he is, does not agree. He is in favour of pay incentives, higher prices for the suppliers and a more highly-trained workforce. But nobody on the factory floor wants to think about – let alone mention – the prospect of lay-offs. That was an issue I raised with Stroe.

In Bucharest, the director's affability, buoyed by the attention from the locals who long for a car, and the visitors from the western business community, gives way to reflection when confronted with this question.

"Maybe 5,000 people would lose their jobs. The plant needs a shot of vitamins. We need between $250m-$300m if we are to become competitive. I hope Renault will come back. I know they are interested. There is great hope in Pitesti..."

## Management abstracts

**Company cars: which financing option?** *P Burgess & J Cassie in Accountancy (UK), Jul 90 (5 pages)*

Looks at the various options for financing company cars, reporting that outright purchase is still by far the most popular with finance leasing the least popular; lists the factors on which acquisition policy is based, cost and reliability being the most important; states that the days of restricting the company car to British makes have almost gone. Considers contract hire, which is an increasingly popular alternative to outright purchase; explains how it works and notes its benefits – eg, it eliminates costly administration.

**Self-protection allied to good stewardship.** *M Watson in Accountancy Age (UK), 12 Jul 90 (2 pages)*

Looks at the practice of company directors awarding themselves new service contracts with extraordinary bid-related compensatory provisions in order both to deter takeover bids and provide them with generous compensation if the worst happens and the company is taken over and the directors are made redundant. Explains the need for directors to avoid conflict between their fiduciary duties and personal interests and looks at the legal issues involved in directors' service contracts.

**The snoop's progress (corporate crime).** *C Mellow in Across the Board (US), Apr 90 (5 pages)*

Examines the growth of companies in the US specialising in the investigation of white-collar, predominantly computer-based crime; looks at the track records of two of the major players – Kroll Associates and National Investigative Services Corporation (Niscor).

**Scanning for opportunities.** *J D Lewis in Across the Board (US), Jun 90 (4 pages)*

Describes opportunity scanning as a way of looking for opportunities outside corporate and national borders, with trading partners and competitors; explains how to go about it. Suggests that knowing where to look, how to anticipate potential value, and how to combine apparently unrelated facts are the key abilities required for scanning success.

*These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.*

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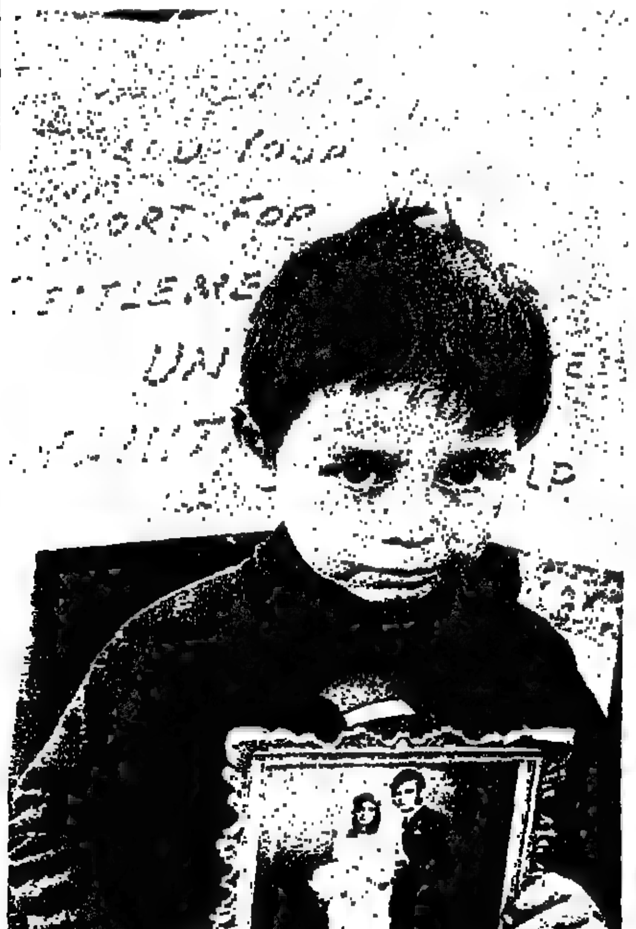

Are his parents alive or dead?
Who knows... and who cares?

FAIR'S FAIR

*"Iraq's invasion of Kuwait defies every principle for which the UN stands. If we let it succeed, no small country can ever feel safe again. The law of the jungle takes over.... The United Nations must assert its authority.... Because a vital principle is at stake: an aggressor must never be allowed to get his way."*

British Prime Minister, Mrs. Margaret Thatcher.

*The world has actively united to condemn Iraq's aggression against its tiny neighbour, the sovereign state of Kuwait. Planes from a multinational force now track the Gulf region's skies and its ships ply its waterways poised to strike at the aggressor.*

*Where were they in 1974 when Turkey invaded its tiny neighbour, the island of Cyprus?*

*Nowhere.*

*Despite repeated U.N. Security Council resolutions over the past 16 years, Turkish troops still occupy the homes and lands of Greek Cypriots in the north of Cyprus. No one has expressed interest in putting teeth into the U.N. resolutions on Cyprus. Occupying a weaker, or any, state by force of arms is unacceptable. We are told by world leaders this is the reason so many states have joined in to enforce U.N. resolutions on Kuwait.*

*So, where are they, when it comes to U.N. resolutions on Cyprus?*

*Fair's fair. Or is it?*

*Almost half of Cyprus is still under Turkish military occupation. A breakaway state, not far from total annexation by Turkey, has been set up in territory taken over by Turkish troops. One third of the island's population are still refugees in their own homeland and many are still unaccounted for 16 years after the Turkish invasion. Interlopers from the Turkish mainland are brought in by the tens of thousands to settle lands that don't belong to them. Further, these settlers appear to have little inclination to respect the cultural heritage of the people they have displaced, a heritage that harks back to prehistory.*

*The world united to implement U.N. resolutions on Kuwait. They must do the same for Cyprus.*

*Fair's fair.*

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BUSINESS AND THE ENVIRONMENT

# Home is where the heat is

GROWING WORRY over the possibility of global warming has led to increased interest in improving the energy efficiency of houses as a means of reducing emissions of carbon dioxide. This is the main greenhouse gas produced by fossil fuels, such as coal and oil and, to a lesser extent, gas.

Yesterday MVM, a consultancy specialising in property and planning information, launched a comprehensive home energy labelling system with the blessing of John Wakeham, the UK Energy Secretary.

It is based on a star rating – one star poor, five stars excellent – which indicates how a house measures up in efficiency of space heating, hot water system, insulation and window areas.

For £30 to £40 a survey is conducted (in the same way as a traditional structural survey of a house is done). Bradford and Bingley Building Society has taken up the scheme, known as Starpoint, and talks are under way with other building societies.

The statistics show that the average house leaves a lot to be desired when it comes to preventable heat loss. Earlier this year Starpoint joined the Nationwide Building Society in testing the system on homes in Bristol and Bath.

The average house surveyed received only two stars and levels of carbon dioxide produced by the average household was estimated at 6.5 tonnes a year. However, homes built to 1990 building regulations would probably achieve a four-star rating.

Starpoint says that houses could gain an extra star by improvements which would cost less than £1,000.

It is estimated that if every dwelling in the UK improved by a one star rating it would reduce total carbon dioxide emissions by 16m tonnes a year and cut annual fuel costs by £7m.

Wakeham made it clear that the Starpoint system may eventually be incorporated into building regulations to ensure that new houses comply with thermal insulation requirements.

John Hunt

## Peter Knight visits an industrial estate in Denmark which trades waste, water and surplus energy

# A rebirth of the pioneering spirit

One man's waste is another's raw material. This may sound like an environmentalist's dream it is just what a group of businesses is practising on an industrial estate in Kalundborg, 80 miles west of Copenhagen in Denmark.

The power station, plasterboard maker, oil refinery, pharmaceuticals maker, farmers and municipality all trade waste, water and surplus energy. The mutual co-operation is intended to make better use of resources and reduce industry's impact on the environment. It has become known as an industrial ecosystem.

"The environmental impact of Kalundborg's industry will never be neutral but we are well on the way to it," said Leif Andersson, operations manager at Kalundborg's municipal water works.

The fundamental reason behind the co-operation is economic, says Jorgen Christensen, vice president at Novo Nordisk, the enzyme and pharmaceuticals maker. "It made perfect sense to work together. But it also brings economic advantage to all parties involved."

Besides the Novo Nordisk factory, which employs 900 people, the estate also houses the Statoil refinery, the Asnaes power station (the biggest coal-burning plant in Denmark), and a Gyproc factory that makes plaster-board from gypsum. The municipality supplies the water.

Co-operation – or "industrial symbiosis", the term preferred by the locals – between the different parties grew slowly and without any specific plan. The first deal was struck between the power station and Novo Nordisk. In the early 1980s Novo bought waste steam which the power station at that time condensed and released as waste water.

Fresh water is especially scarce in Kalundborg and there is considerable effort, lead by the municipality, to conserve supplies. The power station now re-uses cooling water from the refinery that used to go to waste. And from this autumn the power station will take purified waste water from the refinery.

From 1993 Novo Nordisk will be legally required to purify more of its waste water. "It is likely that the power station will be able to re-use some of our water. We also put a lot of effort into recycling water within our plant," Christensen said.

Gyproc has bought its gas from the refinery since 1970. From the end of next year the power station will buy all the refinery's surplus gas, now burnt off on a flare stack. This deal will save the power station the equivalent of 30,000 tonnes of coal a year and it will reduce the refinery's perpetual flame to a mere pilot light.

Most of the power station's surplus heat is transferred to the municipality's district heating network. This supplies heat to local houses and has enabled the closure of 3,500 independent oil-burning domestic heating systems. It represents an obvious saving to the householders and reduces the amount of pollution in the town.

The power station runs a sea-water fish farm where the water is warmed from the station's surplus heat. The trout and turbot farmed there are exported mainly to France. Sludge from the fish farm is used as a fertiliser on nearby farms.

The farmers also benefit from the left-overs of the fermentation process used in the Novo Nordisk factory. Fermentation is used to produce such products as antibiotics and enzymes. A mould is grown in special tanks which contain a nitrogen-rich culture. The process, similar to brewing, produces large quantities of sludge.

In the UK pharmaceutical makers release this as effluent. But Novo Nordisk treats its sludge by adding chalk-lime and keeping it at 90 deg C for an hour. This neutralises any micro-organisms that might be present. The company gives the treated sludge to local farmers who spread it as fertiliser. "Other methods of dumping would be very expensive for us. Recycling the sludge in this way solves many problems," says Christensen.

Fly-ash from the power station is used in cement making and road building. Sulphur from the refiner's desulphurisation plant is used to make sulphuric acid. Gyproc is negotiating a price for crude gypsum which will be produced by a chimney scrubber that comes into operation at the power station in 1993.

Each swap or trade deal is negotiated independently. In some cases, as with Novo's sludge, the waste is given away. In others, one party agrees to pay for the infrastructure, such as pipes to carry steam, if the other party offers a good price. Over the years a spirit of doing the right thing for the environment has built up too.

"The economic and environment pressures are now interlinked," said Christensen. "The justification for the first deals was purely economic. But now we are looking for ways to improve the environment and we find that these initiatives can pay too."

Christensen says he has not come across a similar level of co-operation between industries anywhere in the world. "There are two conditions for achieving similar success. First, the different parties have to be physically close enough for it to make economic sense. The necessary infrastructure can be expensive.

"Second, your eyes must be open to the possibilities. You need to know what is going on in your neighbour's business to be able to take advantage of any opportunities. In this small town people know each other and we are always talking," he said.

Philip Jackson of Slough Estates, which owns a 480-acre light-industrial estate near London's Heathrow airport, says similar schemes could work in the UK.

The Slough estate, on which Mars's UK operation is based, supplies all utility services – electricity, steam and water – to its tenants. The estate is in the process of modernising its power plant with a £40m low-emission circulating-fluid bed coal power station. Surplus power will be sold to the electricity supply industry.

"The big problem with trading energy and wastes is that you have to have an infrastructure. And you have to have the users who need the available products," Jackson said.

Trading surplus utilities is more important to traditional heavy industries and there are fewer opportunities on estates that attract companies involved in new technologies. Stephen Fuller of the Milton Keynes Energy Park, a new housing and business estate with energy-efficient buildings, says: "Our potential clients might have a demand for electricity but they do not need steam or hot water. Their biggest problem is often how to get rid of excess heat," he said.

John Elkington, the environment consultant who has worked with Novo Nordisk, says environmental pressures on Danish industry are intense. "One of the key reasons for the co-operation at Kalundborg is the strong pressure to deal with wastes. Novo Nordisk has seen the opportunity to use this pressure to improve their business.

"The success of the scheme also reflects the individuals involved. When you have a pioneering scheme like this people have to put a disproportionate amount of effort into making things work," he said.

Christensen said the managers did not appreciate the significance of co-operation until a local school pointed it out. Pupils were working on an environmental project and toured the estate.

"The students made a model and showed how the co-operation worked. Then we started to give much more attention to it and started to talk more about other things we could do," he said.

A steering group, with representatives from each business and the local authority, meets regularly to discuss plans for extending the co-operation. The local development council also plans to use the environmentally friendly atmosphere to attract more business to the area. "No laws could force this sort of co-operation. It is about business initiative," said Christensen.

# Striking gold in the rain forest

By Kenneth Gooding

THE story of how Greenstone Resources, a "junior" gold exploration company, came to be involved in a potential $1m venture to restore part of the rain forest in Costa Rica shows how quickly a company can be enveloped by environmental pressures.

It also demonstrates that mining companies are unlikely in the future to escape the costs associated with growing environmental awareness by focusing on developing countries rather than on industrialised ones.

As Jim Anthony, chairman of Greenstone, suggests: "As an industry we won't be allowed to get away with two sets of standards – one for the industrialised world and one for the developing world."

Greenstone is based in Toronto. Its environmental performance in Costa Rica had to meet rigid Canadian standards because the company won a C$300,000 grant from the Canadian International Development Agency (CIDA) towards the cost of feasibility studies for a potential gold mine, El Recio, in the Guanacaste Province of Costa Rica.

There was also a CIDA requirement that Greenstone do a "community needs" study which involved assessing the most pressing concerns of the 20,000 people in Los Juntas, a town two miles from El Recio.

Consultants hired by Greenstone quickly provided some of the answers. About 70 years ago the rain forest was stripped to make way for cattle farming. Over the years this lead to problems of "run off". During heavy rains the water absorbs some of the heavy metals in the soil (including mercury) and takes it into the town's drinking water supply. This causes some serious health problems among the local people.

Greenstone's consultants suggested the run-off problems could be solved for an outlay of about $200,000. Better still, given about $1m and 15 years' work, the rain forest could be re-instated.

There was no way that Greenstone could tackle such a project. Not only does the company need all the money it can get for its gold projects but neither did Greenstone's shareholders put up C$28m of equity for investment in timber.

However, the consultants pointed out that the World Bank might well lend the money. Anthony says that approaches to the World Bank have been made and "they have been very receptive".

He says the scheme would start with a $300,000 first phase to cure the run-off problem. Bamboo attracts more water than it needs, thus raising the water table and changing the local climate. Over time this would enable other trees, including teak, to be planted and established over about half of Greenstone's 800 hectare mining concession area.

Not only that, the bamboo could be harvested in five years' time to provide building material, urgently needed in a country with a rapidly-growing population.

Anthony says that Greenstone intends to lease timber rights to local people who will do the planting, timber management and harvesting.

Greenstone's efforts so far have resulted in an environmental award – a "Proyecto Planeta Tierra" award from the Argos Foundation there – and there has even been a pop song written about the company and the project.

Anthony says Greenstone's reputation in Costa Rica as a company that has had a positive impact on the local community is helping as it moves into Panama for what seems likely to be its most important project so far. In partnership with Boliden, part of the Trelleborg group of Sweden, Greenstone in August bought from Freeport McMoRan of the US a number of properties in Panama, including the Santa Rosa project which the partners hope will eventually become a mine producing 100,000 troy ounces of gold a year.

So far the only cost to Greenstone of its environmental work has been for management time. "But we would be investing time in community relations in any case," says Anthony.

"Also, we intend to be in those three countries for a long, long time – so we want to be alive to the social issues because those issues will affect us too."

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## FT LAW REPORTS

# Cargo buyers not liable for delays in port

THE HANDY MARINER
Court of Appeal (Lord Justice Neill, Lord Justice Stocker, and Lord Justice Staughton): November 8 1990

**DISCHARGING TIME under a c.i.f. contract begins to run when the vessels berths, in the absence of clear words to the contrary, if the contract provides for discharge at a named port at specified rates for discharge, demurrage, and dispatch, but includes a Gafta 100 term that discharge shall be as fast as the vessel can deliver in accordance with port custom.**

The Court of Appeal so held when dismissing an appeal by Intertradax SA, sellers of cargo on the Handy Mariner, from Mr Justice Hobhouse's decision that the buyers, Etablissements Soules et Cie, were not liable for demurrage for delay in reaching berth caused by port congestion.

LORD JUSTICE STAUGHTON said that by a contract for sale dated June 25 1987, Intertradax as sellers and Etablissements Soules as buyers, agreed the sale of a cargo of sweet potatoes "c.i.f. free out Lorient – discharge 400 metric tonnes per hold/whether working day . . . demurrage $3,500 per day pro rata with half dispatch".

The contract provided that other terms should be in accordance with Form 100 of the Grain and Feed Trade Association (Gafta).

Clause 16 of Gafta Form 100 provided "discharge shall be as fast as the vessel can deliver in accordance with the custom of the port".

The Handy Mariner arrived with the cargo at Lorient on September 30 1987.

Owing to congestion in port she had to wait for a berth until October 13 before the cargo could be discharged.

The present appeal concerned the financial loss resulting from that delay.

Apart from the question of demurrage there was a balance of $38,325 owed by the sellers to the buyers under the contract.

The sellers had paid $11,186 and the buyers sought to recover the difference of $27,138. Against that they admitted liability for $1,074 demurrage. Hence their claim was for the net amount of $26,064.

The sellers on the other hand, initially invoiced the buyers for $27,138 demurrage. If that was right they had paid all that they owed to the buyers.

The case for the sellers was that time started to count when the vessel arrived in port, or at latest, when notice of readiness was tendered on October 1.

The buyers contended that time could not start to run until the vessel berthed on October 13.

Gafta arbitrators decided in the sellers' favour. Their award was upheld by the Gafta Board of Appeal.

On appeal to the High Court, Mr Justice Hobhouse upheld the buyers' contention that time could not start to run until the vessel reached a berth. He substituted an award in the buyers' favour.

The sellers now appealed.

If the contract had been a charterparty, there would have been no doubt as to the answer. Under a contract to proceed to Lorient the carrying stage of the voyage would have ended when the vessel reached port.

Under a contract to proceed to one safe berth Lorient, time would not have started until berth was reached.

The question was whether the parties to the sale contract used "c.i.f. free out Lorient" in the charterparty sense.

Clause 3 of Gafta Form 100, labelled "price", had space for a figure followed by "gross weight, cost insurance and freight to . . ." When parties inserted a destination, or agreed one in a contract note, they generally named only a port without reference to berths.

Where only a port was named in clause 3, parties did not intend the result which ensued with a charterparty if only a port was named as destination – that time started to count when the vessel reached port.

Assuming that Clause 16 had been left unamended, they agreed that "discharge shall be as fast as the vessel can deliver in accordance with the custom of the port".

It was difficult to suppose that that covered a period when the vessel could not deliver because she was at anchor in the roads, unless it was the custom of the port to discharge into lighters, which was not the case here.

In the present case only a port was named. But the parties had amended clause 16 by providing a fixed rate for discharge, demurrage and dispatch.

Both trade tribunals found in favour of the sellers. They must therefore have considered that the parties did intend the consequences to be the same as if Lorient had been named in a charterparty.

Although the question was one of law for the court, one should always give weight to the opinion of trade arbitrators; and that was particularly important when one was considering whether traders were likely to have used words in a particular sense.

Nevertheless, like Mr Justice Hobhouse, his Lordship concluded that the parties did not intend to alter the effect of naming a port as the destination in form 100 without amending clause 16.

To undertake liability for demurrage while the vessel was in port waiting for a berth, would be an open-ended commitment in a contract for purchase of part cargo or full cargo, since the receiver could not normally control congestion in port.

In the case of a part cargo the problem was worse and the result might be capricious. A buyer did not know when he made the contract how much other cargo would be carried and so share his liability pro rata.

Clearer words would be required before holding that buyers had assumed liability. Time started to count when the vessel berthed.

The appeal was dismissed.

Lord Justice Stoker agreed.

LORD JUSTICE NEILL, also agreeing, said that under a classic c.i.f contract the seller was not obliged to deliver the goods at the contractual destination.

It followed that neither seller nor buyer was under an obligation to the other party to discharge the goods. The present case, however, concerned a contract on Gafta Form 100 which had been further modified by special typed clauses.

Form 100 introduced clauses which would not be found in a simple c.i.f. contract. The most important variation was in clause 16 which provided that "discharge should be as fast as the vessel could deliver in accordance with the custom of the port".

The parties varied Gafta form 100 by introducing terms, including the special discharge clause – "discharge 400 metric tonnes per hold/weather working day . . . demurrage $3,500 per day pro rata with half dispatch".

The Gafta Board of Appeal held that the effect of the special discharge clause was that it replaced the printed discharge clause in Gafta 100 and rendered it a port destination contract.

Mr Justice Hobhouse concluded that the contract did not impose on buyers any risk with regard to delays earlier than at the actual stage of physical discharge. His construction was correct, for the following reasons:

(1) The contract was between sellers and buyers. It contained no direct reference to charterparty provisions, for example tender of notice of readiness.

(2) The sellers argued that if it had been intended to delay time for commencement of discharge until the vessel had berthed, it would have been simple to have inserted an express term to that effect. But they were unable to refer to any modern authority where the destination in a Gafta form 100 contract had been specified as a berth inside the main port. It seemed common ground that the usual practice was merely to name a port as destination.

(3) The sellers' argument involved the proposition that if cargo had to be discharged for two or more different buyers at different berths, calculations would have to deal not only with initial delay before reaching berth, but also any period spent moving from one berth to another.

(4) The natural meaning of any stipulation as to time of discharge between seller and buyer was that time should run from when the seller placed the goods at the buyers' disposal.

Where there was a special provision as to discharge which imposed an obligation on the buyer it followed that in a port where discharge was at berth, the time that obligation took effect was when the vessel reached the berth at which the goods were to be discharged.

*For the Sellers: Mark Havelock-Allan (Middleton Potts).*
*For the Buyers: Duncan Matthews (Holmes Hardingham).*

**Rachel Davies**
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# To

**YOUNG VIC**

Perhaps as a result of the recession, a large number of plays are arriving in London with very small casts. The latest example is Jim Cartwright's *To*, which opened at the Young Vic on Monday, and a very welcome arrival it is.

Why it is called *To* is a slight tease: possibly the writer is abbreviating even there, for although there are a good 10 characters, there are only two players. The setting is a pub in the industrial-ish north west of England: the principals are the landlord and his wife who serve at the bar and play the customers as well. Since it is one of those circular bars, this makes for the best possible use of the Young Vic's theatre in the round.

There are several dramas: the main one is between the landlord and his wife who tend to alternate between "I love you" and "I hate you", but end up loving. The others arise out of character sketches of those who go to the pub. "More strange things happen in a pub," says one of them, "than you see on TV". Another goes to the pub with her husband in order to watch television because she says that he would turn it off if they were at home. Apart from the drinks, there are crisps with everything.

Soon it emerges that the reason for the title of the play is that going *to* the pub means at least going somewhere. Much of the piece is revue stuff, not sustained drama, to be sure, but some of the sketches are very good. Take the ageing, fattening, working class northern wife who "hasn't been the same since Elvis died". "You killed him," says her ageing, fattening, working class northern husband – slight pause for effect – "by buying his records and giving him the money to buy all those drugs." "Will you call me Priscilla tonight?" says the wife, as the couple make it up and lovingly support each other home.

There is another wife who poses as the Statue of Liberty, seeking to huddle the world's strong men to her breast; she turns out to have a weakling of a husband who cannot even make his way to the bar.

The piece, however, is primarily a vehicle for John McArdle and Sue Johnston for whom it was specifically written. They are a splendid duo. Note the way McArdle shows his skill as a dancer early on and the mutual skill in bantering as they serve drinks at the bar, hissing at each other while chatting up the customers. Also, in these low cast plays, there is a premium on quick changes – of characters and costumes. McArdle and Johnston are up there with the sprinters. Johnston does a touching act as the other woman, come to observe her lover and his wife in the pub. McArdle once switches to a little boy, entering the pub to look for his father.

Cartwright's first play *Road* was much acclaimed when it was performed at the Royal Court four years ago. I have read it but not seen it and did not much like it. By contrast, *To* is a maturing piece of work, ideally staged and cleverly acted. It is directed by Andrew Hay and runs until December 22. It should be seen on merit, not simply because the Young Vic has an uncertain future and deserves to survive.

**Malcolm Rutherford**

## TELEVISION

# Way beyond the witching hour

Imagine an independent British television company deciding to make a comedy series which was *not* about a one-parent family or an oddly assorted group living in an institution. It is extremely difficult, admittedly, but try to imagine that this startlingly original outfit opted for a rep company of talented performers with occasional visiting stars, and that one of their planned programmes was a parody of *I Pagliacci* called *I Galipacci* in which the singing really wasn't too bad.

Suppose the climax of this spoof consisted of a knife-throwing act with the main star singing a tenor aria which, the viewers would slowly realise, was actually "The Yellow Rose Of Texas" delivered by the sobbing clown in the style of grand opera. Do you imagine for a moment that anybody in this country today would commission such a weird concoction? And if they did, would they expect it to be still around, still being repeated on foreign television, in 2025 AD?

Such a programme actually exists, though of course it is not British. It is one of the episodes in *Your Show Of Shows* and was broadcast by Channel 4 a week ago today under the title *Sid Caesar's Show Of Shows*. It was made in the US for NBC at least 35 years ago, possibly as long ago as 1950. Its existence gives the lie, yet again, to the widespread supercilious British belief that all American television – particularly anything made before about 1980 – is mindless, unsophisticated and, if comedy, consists solely of doorbell chimes followed by the words "Hallo honey I'm home". On seeing the writers' credits you realise why this programme was a cut above all that: not just Sid Caesar himself but Mel Brooks, Woody Allen, Larry Gelbart and Neil Simon.

The reason I saw the show (though failed, unhappily, to record it for my collection) is that it was transmitted last Wednesday at midnight, just about the time I have been regularly settling down to watch late night television. A few years ago broadcasters were getting rather keen on transmitting through the night, that being one way of extending hours and (for commercial television) income. But it never attracted many viewers, satellite and video proving to be more popular means of expansion. So now the late night hours provide a peculiar, hidden area where bizarre programmes can appeal to arcane cults and cliques.

Not that it is all strange. Predictably there is a large amount of pop music and teenage oriented material: broadcasters have always favoured the wee small hours for targeting young people. So these days... well, nights, you are quite likely to find any one of half a dozen programmes with names like *The Best Of Beat Club* which seem to consist largely of black teenage boys wearing baseball caps sideways, jumping off the floor with their legs bent into right angles at the knee, while chanting "rap". This is a demotic form of poetry in which any two words with the same vowel in the middle (lane and same, hit and sip, hot and rock) are assumed to rhyme. Occasionally black sisters, with underwear over their outer wear, come on and dance with rather more grace.

Late night laugh: Imogene Coca and Sid Ceasar in "Sid Ceasar's Show of Shows on Channel Four

Nor are the American series shown in the middle of the night all antiques. On Thursdays at midnight BBC1 is currently screening *Nearly Departed*, a present day American sitcom in which *Python* alumnus Eric Idle plays the ghost of an Englishman whose house is now occupied by a typical ("Hallo honey I'm home") American family. At two o'clock on Wednesday mornings in some ITV areas including London you can see the outstanding CBS current affairs programme *60 Minutes* which, down all the years, has stuck firmly to the principle of putting reporters in the driving seat. Whether British television ever could offer as good an example of this sort of thing is debatable, but today it certainly can't.

Melvyn Bragg recently had an interesting literary discussion with Salman Rushdie on British television, but you would have felt little compunction about making a cup of coffee while it proceeded. Nobody would have stirred during Mike Wallace's interview with Rushdie for *60 Minutes* last week; how come our own current affairs people have failed to provide the British public with a similarly comprehensive over-view of the Rushdie affair?

No doubt the reasons are similar to those that explain the differences between *Kilroy* and the American original, *Donahue*, which is currently being shown by Thames at three o'clock on Wednesday mornings. As with orangeade and a tequila sunrise, these two studio based agony uncle programmes look alike but the American version has a kick like a mule.

Some programmes shown after midnight are perfectly ordinary, and occupy these odd slots simply because of the timing of events (the by-elections last Thursday night and Fridauy morning, for instance, which as usual produced wonderful moments of honesty from politicians and presenters who clearly assumed that all sane viewers had gone to bed) or because the subject is known to be of truly minority interest: at 2.35 on Saturday morning I watched in some bewilderment as ITV showed *The European Skateboarding Championships* on a sort of indoor wall-of-death turned on its side.

Early on Tuesdays you can watch Mariella Frostrup – as with Hermione Gingold, the name must obviously be genuine – reviewing the week's video releases with a flair and a sequence of breathtakingly short mini-skirts and low décolletages which must surely represent a considerable threat to Barry Norman's hegemony. Her programme *Video View* is banished to this time, presumably, because broadcast television is not too keen to promote its rivals.

But the real motive for sticking with the old green sofa (old? it has supported so much viewing that its covers are worn through; does nobody sell dark green upholsterer's corduroy?) way beyond the witching hour is for the sake of such grotesqueries as *Pick Of The Week*. At 3.05 on a Monday morning we see somebody such as James Whale sitting in a studio reading out painfully dreadful links between what we are promised are "the highlights from the week's regional television". This week they included cactuses in the Midlands soaking up harmful radiation from VDUs, French student teachers giving lessons in Cuffley, and an impenetrable story about West Witton not having any gunfights. The mind boggles at the thought of the week's *worst* regional stories.

One of the better known late night collectors' items is *Prisoner Cell Block H* which runs from 12.10 until 1.00 am on Wednesday mornings. This is an Australian saga about a women's prison in which the acting, dialogue and sets make a home grown series such as *Emmerdale* look like the greatest thing since *King Lear*. I am assured that *Prisoner* is tremendously popular among lesbians who revel in the sight of a virtually all-female society, full of forceful women. For the rest of us the sole attraction would seem to be the plot line which has the speed and twists of a Saturday morning cinema serial.

Best – well yes, all right, worst, but most compelling – of all the insomniac's friends at present, however, (assuming the opening offer at 1.00 on Friday morning was a fair sample) is "The Killer Bs", a season of those B-movies which Hollywood seems to keep on retrieving from a bottomless pit. There are two chief requirements: the central situation must be utterly ludicrous, and every one involved must keep a completely straight face. *The Brain From Planet Arous*, a 1957 yarn about free floating brains from outer space (like monochrome Mekons) fulfilled both perfectly. This week's Killer B is *The Hideous Sun Demon*. We are promised that for Robert Clarke, a physicist messing about with radioactive isotopes (this is 1955) evolution goes into reverse and he changes into a prehistoric lizard. I can hardly wait: put the coffee on, and duff up the old green cushions...

**Christopher Dunkley**

Cherith Mellor, Barry Forster and David Beames

Alastair Muir

# Dancing Attendance

**BUSH THEATRE, W12**

In her award-winning first play, *Keeping Tom Nice*, Lucy Gannon put all her experience as a worker with the handicapped behind a plea for the severely disabled and their families. Anger and frustration, his own and other people's, locked Tom in his palsied shell of a body. In *Dancing Attendance* she again foregrounds disability but does something excitingly different with it.

Jack Slaney is a tetchy invalid, paralysed down one side by a stroke brought on, so he says, by the shock of seeing the list of directors imported to run his recently floated print shop.

He belongs to that dying breed, the small trader adept at minding his own business. Deprived of it, he has little to live for save the daily reports of his daughter, who still works there, followed by a comfortable round of domestic intimacies. Comfortable, that is, until his search for a carer who will stand up to his rages lands him with one who does.

If Slaney is representative of the displaced employer, Reg is his redundant workforce. "I turn into anything at the click of a finger or the launch of another scheme," says the uncaring and uncared-for carer, Gannon's answer to the famous new man.

Out of the familiar theatrical mud of redundancy she has shaped something wholly original. Reg is Thatcherism's monster, vicious without malice, with the deadly innocence of amorality. "I've learned not to want, not to hope and not to care," he says, in explanation of a "working" relationship which has involved neglecting the old man and deluding his daughter.

David Beames' portrayal of Reg as a likeable naive, with a face that looks as if it has been scrubbed with carbolic, makes the realisation all the more shocking that he has indeed turned into what his employers want: a bully for the old man and some love interest for his daughter. Nothing more, nothing less.

The fine casting continues, in Stuart Burge's production, with a magnificently knotted and gnarled performance from Barry Foster as the elderly invalid, fractious, maudlin, mischievous, warding off his daughter's excessive love with a curl of his good arm.

Cherith Mellor, as the long-suffering Zita, has in some ways the hardest job in a role that demands a lightning change from distaste to blinkered infatuation with Reg. The humour of their first dinner *à deux* – he oafishly slurping the soup she has lovingly prepared with sprigs of parsley and a twist of cream – veers towards the obvious, revealing a weak spot in Gannon's generally well-crafted writing.

The temptation, which Mellor only just resists, is to make Zita initially twee and simpering, as seen through Reg's eyes, then slatternly and neglectful, as if through her father's, without allowing her a centre of her own.

But then, this is a play all about the warping of personalities and perspectives: the individual as a metaphor for a society that bases its verdict on just such banalities as the serving and slurping of soup. It is a savage piece, and a most worthwhile development for an increasingly accomplished writer.

**Claire Armitstead**

# Stern, Ma & Ax

**ROYAL FESTIVAL HALL**

Turning 70 this year, the violinist Isaac Stern has been celebrating his birthday in city after city, as is now the fashion among distinguished senior performers with canny agents. The moveable feast reached London on Monday, when two of his regular partners, the cellist Yo-Yo Ma and the pianist Emanuel Ax, joined him to play chamber music by Brahms: a sonata for each of the stringed instruments with Ax, and then the op.87 Piano Trio in C. A *sterling* programme; in the *event*, uneven but rewarding.

Yo-Yo Ma's gift was the E minor Sonata, op. 38. Many another player likes to make more of the latent *Sturm und Drang* in its first movement; Yo-Yo Ma preferred, just as plausibly, to concentrate upon its sombre warmth and dignity. He did that with wonderfully penetrating tone, and the kind of lyrical intimacy – relaxed, finent – that only master-cellists can achieve. In the "quasi Menuetto" his deadpan wit was perfect, the slightly arch manner of the piece ever so slightly guyed (and for the return of the Minuet proper he found new comic slants). Like Ax he brought energy and muscle to the finale, while refusing to give it the brittle sheen of a virtuoso study.

An admirable partner, Ax managed to convey the dramatic weight of all his piano-parts without threatening his colleagues for a moment, and yet without the compromise of lowering the lid of his instrument. (In Brahms's frequently athletic writing, that needs iron control: in the F minor Quintet, for example, pianists regularly overwhelm their four string-players without mercy.) He got small thanks for his loyalty in the tempestuous D minor Violin Sonata, where Stern was – well, *stern*, and rather dry, and apparently disinclined to pay the least attention to the piano. Only with the scherzo did they begin to sound like a working partnership.

By the final Presto, Stern's old incisive mettle had revived; and after the interval the C major Trio got a fine, sinewy reading on a big-boned scale. Probably Yo-Yo Ma has the gifts of a peace-maker, with his unfailingly alert and generous responses. In all their unison-strings music he and Stern were in grand accord, complemented by Ax's firm purpose – a bit humourless in the finale, which invites more personality, but never mind: Brahmsians had a satisfying evening.

**David Murray**

# Miss Julie

**GREENWICH THEATRE**

Did Strindberg really write this play over a hundred years ago? Its sexual warfare and class conflict still enthral. And so, even though you can sum up the whole narrative on a thumbnail, does its plot. Miss Julie begins like Estella in *Great Expectations* – heartless, demanding, manipulative, snobbish, taught to hate men – but becomes as wracked and desperate as the heroine in Dostoyevsky. As the action proceeds, however, it's the footman Jean who becomes the more callous, deceptive, and controlling figure. When you consider the play from a distance, it seems to chart a simple arc: the fall of Miss Julie. But when you experience it, the story and the emotion prove full of surprising detail and suspense.

The version staged at the Greenwich Theatre is new, adapted by the actress/playwright Helen Cooper from Peter Hogg's literal translation of Strindberg. My Swedish is not all it should be, but I note that Cooper stresses several graphic details – Christine's comment "She's always like this when it's her time of the month," and Jean's story of once crawling through shit. Jean's dream of flying with the hawks is also emphasised. Likewise the pathos of Julie's pleas to him: "Say that you love me – otherwise what am I?"

Lesley Manville enters like a young cat on heat for the first time, driven by a need she doesn't understand. She speaks in a clear, high soprano, and from the first she's nervous, febrile. Then, as disgrace and helplessness hem her in, she zigzags rapidly between quiet pleading, scorn, self-deception, humiliation and – more and more – an uncomprehending daze. I admired one mood after another, but I missed the overall force of character that would make me believe that this Julie could encompass all those emotions. In particular, because I missed Julie's an air and sense of social superiority in her, I couldn't believe in all her subsequent shame.

Tom Cairns's entire staging is like that. Striking detail, tentative overview. Everything is small-scale. Barry Lynch is a slight,Irish, charmingly sharp Jean, whose nervous energy matches Manville's. No, he doesn't have all Jean's physical magnetism or terrifying cruelty. But he certainly is the social climber that Jean says he is, and he is also the habitual servant that Jean discovers himself still to be. Janine Duvitski is a wry, tough Christine, sensible and steady. She knows what's what and can give what for.

"Choreography by Aletta Collins," the programme says. But if I had seen any real choreography, I would have told you about it. Neither Cairns's designs nor Orlando Gough's music bother much with period detail. No harm in that, but no virtue either. One strange episode is the nighttime visit of the revelling servants. They mark the door behind which Julie and Jean have gone to bed with white lilacs (benediction) and white chalk (accusation). Does this new touch come from the translation or from Cooper's fancy or from Cairns's direction? Or was that the choreography? Anyway, it is one more ambiguity than *Miss Julie* needs.

**Alastair Macaulay**

# ARTS GUIDE

## November 9-15

OPERA, BALLET and THEATRE

### London

**Royal Opera, Covent Garden:** further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the first of two interesting casts: Agnes Baltsa, Raul Gimenez, Jeffrey Black, Gabriel Bacquier and Ruggero Raimondi.
**English National Opera, Coliseum:** a new and unusual double bill, Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi*, has its first showing, conducted by Charles Mackerras, produced by Julia Hollander, with casts including Sally Burgess, Peter Coleman-Wright, Benjamin Luxon, and David Maxwell-Anderson.
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

### Paris

**Opéra, Palais Garnier.** Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).
**Grande Halle de la Villette.** *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadis decor and costumes. Conducted by Barry Wordsworth (47423750).

### Brussels

**Théâtre royal de la Monnaie.** The Monnaie Opera in Hans Zender's *Stephen Climax*, Sylvain Cambreling conductor, director Peter Mussbach, sets by Paul Lerchbaumer.

### Amsterdam

**Nederlands Danstheater** in *L'Enfant et les Sortilèges* (Ravel/Kylian), *Evening Songs* (Dvorak/Kylian), and a new ballet by Hans van Manen.
**Netherlands Opera** with the premiere of Glen Wilson's new production of *Il ritorno d'Ulisse in patria* by Monteverdi, directed by Pierre Audi. Glen Wilson conducts a baroque ensemble playing authentic instruments, with Anthony Rolfe Johnson as Ulysses and Graciela Araya as Penelope. Elisa Monte Dance Collection with the world premiere of *The World Upside Down*, *Turtles Bat Bones*, and *Dextra Dei*. Muziektheater (Wed) (255 455).

### The Hague

**Nederlands Danstheater** with *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of the new ballets by Philip Taylor and Jean-Christophe Maillot. AT&T Danstheater (Thur) (360 4930).

### Rome

**Teatro Brancaccio.** The Teatro Dell'Opera ballet now directed by ballerina Elisabetta Terabust, opens its autumn season with a ballet tryptich: Amedeo Amodio's *Ricercare a Nove Movimenti* to Vivaldi's music; Ben Stevenson's *Three Preludes*, to rachmaninov; and *Graduation Ball* by David Lichine to music by Johann Strauss. Alberto Ventura conducts the Teatro Dell'Opera orchestra (732304).

### Venice

**Teatro La Fenice.** Breaking the habit of opening with a popular 19th century opera, the Fenice starts its autumn season with Alban Berg's *Lulu*, last performed here in 1949. The new production is by Giorgio Marini. (5210161).

### Berlin

*Tosca* stars Mara Zampieri in the title role. *Rigoletto* in Hans Neuenfels' production features Gwendolyn Bradley, John Sandor, Ingvar Wixell and Rolf Kuehne. A Carlo Bergonzi recital with pianist Robert Morrison with songs by Verdi, Bellini, Donaudy, Tirindelli, Caccini Donizetti and Cilea. *Der Troubadour* has fine interpretations by Linda Plech, Kaja Borris, Camille Capasso, George Fortune, conducted by Stefan Soltesz.

### Hamburg

*Romeo et Juliet* has John Neumeier choreography. *Tannhäuser* has a first-rate cast led by Linda Plech, Livia Budai, Kurt Moll and Guenter Neumann in in the title role.

### Cologne

*Götterdämmerung* and *Das Rheingold* are both part of the new Ring cycle in a co-production with Düsseldorf opera, produced by Kurt Horres and conducted by Hans Wallat. The cast includes renowned Wagner singers William Johns (Siegfried), Deborah Polaski (Brünnhilde), Waltraud Meier (Waltraude), Hart Welker (Alberich), Matti Salminen (Hagen), Robert Hale (Wotan), Shirly Close (Fricka), Nadine Secunde (Freia) and Anne Gjevang (Erda).

### Frankfurt

Ileana Cotrubas, who is retiring from the stage, gives her farewell performance in the title role in *La Bohème*. *Limb's Theorem*, by William Forsythe returns.

### Bonn

This week includes *Coppelia am Montmartre* and *Spartakus*, both choreographed by Bonn's ballet director Youris Vamos. Camille Saint-Saens' rarely played *Samson and Dalila* will be offered twice in a concert version starring Lucia Valentini-Terrani and Michael Sylvester in the title roles.

### Munich

*Nabucco* stars Julia Varady, Daphne Evangelatos, and Wolfgang Brendel. *Un Ballo in Maschera* is sung by Giacomo Aragall, Sharon Sweet and Marjana Lipovsek. *Palestrina* features Marilyn Schmiege, Georgina von Benza, Peter Schrier, Bernard Weikl and John Broecheler. *Die ägyptische Helena* has Gwyneth Jones, Frances Lucey, Inga Nielsen, Wolfgang Neumann and Hans Gueter Noecker in the leading parts.

### New York

**Metropolitan Opera.** James Conlon conducts the season premiere of *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. James Levine conducts Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. (362 6000).
**New York City Opera.** The season concludes with the Glyndebourne production of Ravel's double bill, *L'Enfant et Les Sortileges* and *L'Heure Espagnole*, with Maurice Sendak's sets featuring Robin Tabachnik, Kathryn Gamberoni and Rees Davis, conducted by Sergiu Comissiona. New York State Theatre, Lincoln Center (870 5570).
**Falsettoland** (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
**Cats** (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling (239 6262).
**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

### Washington

**Washington Opera.** The company's 35th season continues with Maria Ewing in the title role of *Salome*, in Sir Peter Hall's production conducted by Gerald Schwarz. Yoko Watanabe is Mimi and Antonio Ordonez is Rodolfo in Gian Carlo Menotti's production of *La Bohème* conducted by Vjekoslav Sutej. Opera House, Kennedy Center (416 7800).

### Chicago

**Lyric Opera.** Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfredo Kraus as Sir Edgar. Frank Galati directs Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts Donald Kaasch as Poe, Winifred Faix Brown as his wife and Richard Stilwell as Poe's nemesis Griswold. Civic Opera House (332 2244).

### Tokyo

**Kabuki:** Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

## SALEROOM

# Body blow from Henry Ford

On Monday night in New York Sotheby's had one of the worst saleroom experiences in its history. It was offering 37 Impressionist and modern pictures and sculptures from the estate of the late Henry Ford II. They brought in \$48.6m (£24.7m), with 27 per cent unsold by value and 13 of the actual lots failing to find buyers.

This is bad enough, given that the pre-sale low estimate had been \$66m. But Sotheby's had offered the executors of the Ford estate a guaranteed sum of around \$60m to secure the collection in competition with Christie's. And to make matters much worse the star lot, "La tasse de chocolate" by Renoir, which sold near the top of its estimate at \$18.15m (£9.28m) to a Japanese private buyer, was an added lollipop from the Ford family collection and not part of the guarantee.

So Sotheby's has lost an awful lot of money from the auction and now owns 13 works of art which it can either dispose of at a loss or keep until the market improves. It is the first major demonstration of how risky it is to offer guarantees. They made Sotheby's a great deal of money last year when the market was still buoyant but they have dealt it a body blow now that economic and political uncertainty has scared off many potential buyers. Christie's always disliked this method of securing properties but it has three paintings from the Yaseen collection on guarantee this week in New York, for around a total of \$7m.

Sotheby's maintains it will continue with guarantees but will be less generous in its advances. It had obviously reduced its reserves before Monday's auction, aware that demand had fallen sharply since the sale was planned in the summer. And the reductions were on estimates that had been fixed nearer the price levels of two years ago rather than at the peaks of the summer and autumn of 1989.

Fortunately the Japanese are still buying. As well as the main Renoir, which was an important work of 1878, a Chagall "Hommage à Paris: Notre Dame" and a Renoir nude of around 1888 were among the top lots that went to Japan, for \$3.19m and \$2.75m, both below forecast. "Le Jas de Bouffan" by Cézanne made \$7.15m and a Matisse still life of a pewter pot \$3.85m. Among the main casualties were an important Modigliani portrait of the American artist Morgan Russell, which was expected to make \$8m, and a large six feet high Joan Miró, "Peinture". There were few European bidders at a predictably disappointing auction.

**Antony Thorncroft**

FINANCIAL TIMES
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# Competition in telecoms

IN ITS first attempt to make the UK telecommunications market more competitive, in the early 1980s, the government was too cautious. At present, Mercury is the only fixed-link competitor to British Telecom and they challenge one another only in the business end of the market. The potential for technologies such as cable television to compete with traditional fixed-link services has not been exploited.

The government now seems determined to open the market in a much more radical way. The firmly pro-competitive thrust of the government's consultative paper on the telecommunications industry is thoroughly welcome.

It holds out the prospect of a much more diverse range of services, offered by a wider range of competitors. The government intends to license new fixed-link operators to compete with BT and Mercury in local, trunk and international services.

Operators of mobile services – cellular, telepoint and personal communications networks – will probably be allowed to offer complementary fixed-link services.

The DTI inclines towards allowing companies to establish and run their own internal networks, rather than leasing them from BT. These companies could then offer services to consumers.

Cable television companies will probably be allowed to offer both entertainment services and telephony to customers, without having to use BT lines.

## International margins

On international services, where profit margins have been notoriously excessive, the government favours introducing more competition and at the same time capping BT's prices. This two-pronged approach should ensure that British business, and the financial community in particular, have the advantage of much cheaper international services.

Professor Bryan Carsberg, the director general of Oftel, the industry regulator, supports a progressive move towards "equal access" for long-distance calls. This would allow customers to choose which long-distance carrier to use by dialing a simple access code. Such a system in the US has benefited both residential and business customers.

An interesting suggestion is that the market could be divided into retail and wholesale segments. One option would be to allow a clutch of companies to purchase capacity wholesale from the network operators and then retail it directly to consumers. BT's great failing has been in the retail end of the market, an area where other British companies excel. The growth of the mobile cellular market is partly due to the division between the 50 service providers, who compete fiercely in their direct dealings with consumers, and the two network operators, Cellnet and Vodafone. Although such a division can create instability, it is worth exploring further to promote more choice, diversity and competition.

## Realistic assessment

Despite these plans for more competition the paper is realistic in its assessment that BT will continue to dominate the UK market for some years to come. It is thus right that Oftel's role in preventing BT from deterring or simply strangling new entrants should be maintained and in some respects strengthened. The time when competition is so firmly established that regulation can be curtailed is still a long way off.

Several of the issues raised by the paper will need close consideration in the course of the review, which is due to be complete by January. More competition in fixed-link local services could mean more roads being dug up to lay new cables. The government is rightly concerned to minimise the effects on the environment.

Although BT has got little of what it wanted from the review, the government is ready to listen to arguments from BT that the burden of providing a public service, for example in rural areas, should be more evenly spread. However, it has rightly put the burden of proof on BT.

Greater competition will be a stimulus to BT both to improve its service to domestic customers and to enhance its ability to compete internationally.

# How best to help Burma

MANY regimes flout the wishes of the people they purport to represent. Few have done it so consistently, so publicly and so outrageously as the small group of military officers which controls Burma.

There can be no debate about the wishes of the Burmese people. In 1988 they demonstrated en masse for an end to the military government which for more than 25 years has progressively reduced a once rich nation to one of the world's poorest. The only response from the regime has been force. Soldiers were deployed with orders to shoot, thousands of peaceful demonstrators were killed or wounded, and the population driven from the streets. Since then the Burmese tragedy has deepened. The military cabinet ultimately controlled by the ageing dictator, General Ne Win, has sunk into deeper repression while seeking to persuade the outside world that it was preparing for democracy.

The absurdity of this attempt has been fully exposed. The May 27 election was designed to reveal a hopelessly fractured plethora of opposition parties patently incapable of governing. Instead it turned out to be a triumph for the opposition National League for Democracy. Despite the arrest of its most prominent leaders – Aung San Suu Kyi, the daughter of General Aung San who led Burma to the brink of independence from Britain, and General Tin Oo – the NLD won more than 80 per cent of parliamentary seats.

## Predictable response

The army's response has been predictable. Not only has the military adamantly refused even to meet NLD representatives, let alone allow the party to play a constitutional role, it has also continued to arrest and torture its members, as an Amnesty International report underlined only last week. A UN-sponsored human rights mission, led by Mrs Sadako Ogata, the distinguished Japanese diplomat and academic, also appears to have been given short shrift.

Simultaneously the army has been inflicting grave long-term ecological damage on Burma's wealth of natural resources. In a desperate attempt to acquire hard currency to purchase arms, dozens of licences have been sold to logging companies from Thailand leading to the wholesale destruction of some of the world's few remaining teak forests. A similar ecological disaster is probably happening to the offshore fishing grounds.

The response of the international community can, in so far as it goes, be commended. After the murder of demonstrators in 1988 most aid to Burma was suspended. Japan, by far the largest donor, has largely stuck by its insistence that there should be representative government and genuine economic reform before aid can resume. Many governments have made clear their abhorrence.

## Avenues closed

But it is not enough when set against the potential for a deepening tragedy. This week the opposition parties have been forced to deny even the results of the May election. Avenues for reasoned response to the military have been closed. Another explosion of violence is surely on the cards.

Governments, individually and jointly through the UN, must consider as a matter of urgency what more can be done to bring home to the Rangoon regime that its actions are unacceptable to a world from which it cannot divorce itself. Greater pressure, commercial and political, should be brought to bear on those governments trading most actively with Burma, particularly Thailand.

Directors and shareholders of those few companies with recent investments, knowing precisely the sort of regime which they were helping to sustain, should reconsider their actions. Even oil companies, well used to working with politically unattractive regimes, should anticipate one day needing to be on good terms with a popularly elected government of Burma.

How quickly the yoke of repression can be lifted from the necks of the Burmese may depend as much on the sum of corporate and individual actions as it does on the more eye-catching gestures of the international community.

**Peter Montagnon** reports that the Gatt talks are on the brink of collapse over differences about how to treat the trade in services

# US takes the flak for failure

When US airlines serving Geneva's Cointrin airport wanted to expand their check-in facilities recently to allow for tighter security, they met vehement resistance from the Swiss authorities. Only after Swissair was granted an extra flight to Atlanta did they manage to get their way.

This little tale, related by a senior US trade official, goes to the heart of the last-minute crisis that has enveloped efforts to remove barriers affecting the $600bn-a-year international trade in services as part of the Uruguay Round of multilateral trade negotiations.

Fearful that a services agreement would weaken still further its ability to win concessions of the kind it was seeking at Cointrin, the Bush administration has got cold feet about forfeiting the unilateral measures it has long relied on to bludgeon its way into foreign service markets.

The resulting impasse in the services talks may have been dwarfed in the public mind by the new furore over *farm subsidies, but an agreement* on services is none the less crucial to the success of the Round as a whole. The importance of service industries has made it essential if the rules of the trading system are to be adapted to modern commercial reality.

As with the farm talks, recriminations are flowing freely, but where services are concerned, it is the US, and not the European Community, which is receiving the lion's share of the blame.

There is a bitter irony in the present debacle, trade officials say, because, at the outset of the Round in 1986, it was Washington which first brought up the idea of tacking services on to the negotiations. Prodded by top financial executives such as Mr James Robinson, chairman of American Express and Mr John Reed of Citicorp, the Reagan administration insisted that the Round should include negotiations to prise open the potentially lucrative markets of advanced developing countries to US service industries such as telecommunications, insurance and banking.

It was only with deep reluctance that the developing countries went along at all. Even the EC started off lukewarm, but its enthusiasm grew as it discovered how dependent its own member states were becoming on trade in services. Now, after four weary years of negotiation, they are accusing the US of backtracking on its original commitment to a multilateral agreement.

Fundamental to the problem is the US reluctance to affirm its commitment to the core principle of most-favoured-nation treatment – a tenet so basic to the whole multilateral system that it is commonly called simply by its initials, MFN. Since the creation of the General Agreement on Tariffs and Trade 43 years ago, these three letters have become accepted shorthand for the principle that trade concessions, once granted to one party, must be granted without discrimination to everybody else as well.

There is, as the US has now belatedly realised, an irreconcilable contradiction between MFN and its own unilateral approach to trade policy. Were it to open up its own service markets to foreigners on a non-discriminatory basis, it would forfeit the right to retaliate unilaterally against those whose markets could remain closed, even though the latter could still argue that they were respecting the new Gatt agreement to the letter.

Telecommunications, which is now one of the most vigorously disputed sectors in the discussions, provides a clear example of what this means in practice. The Bush administration argues that deregulation has left access to its basic telecommunications market (that is, the ownership of a network of cables, optic fibres and radio waves along which data travels) open to all comers. There is now nothing, for example, to stop the French state telecommunications monopoly from laying a cable across the Atlantic, hooking it up to Chase Manhattan Bank and using it to carry all that institution's telecommunications traffic to Europe.

Yet EC liberalisation has left untouched the monopolies its member states enjoy in basic telecommunications. So AT & T could not do the same thing in reverse.

A services agreement based on MFN would not change this, the US claims. The French monopoly does not discriminate against any particular foreigner. It simply excludes all of them from the market. A regime for telecommunications that was based on MFN would lock in this situation and there would be no pressure on Paris to liberalise further. Because it could no longer discriminate against France in its own open market, the US would be deprived of a lever that could be used to gain reciprocal liberalisation.

This has dismayed the powerful US private sector lobbies for whom the talks on liberalising trade in services are first and foremost a tool for opening foreign markets. Like US exporters of goods, they believe that their home market is one of the most open in the world. They are scared of writing what one official calls "a blank cheque" that would confirm this openness for all time, while yielding nothing in terms of practical concessions from anyone else.

The same anxiety underlies the US approach to two other controversial sectors: shipping and air transport.

As with telecommunications, the US is already pretty liberal in its approach to international shipping. As much as 80 per cent of its trade is carried in foreign ships and it has only two relatively insignificant bilateral cargo sharing arrangements, with Brazil and Argentina. As long as the EC refuses to unwind the network of bilateral shipping arrangements to which it has subscribed under the UN Liner Code, however, Washington wants to preserve its right to unilateral retaliation against specific countries if this is needed to force open markets. (The UN Liner Code lays down the principle that traffic between two nations should be split according to the 40-40-20 rule, with 40 per cent going to shipping companies belonging to the nations at each end of the route and the remaining 20 per cent left for other nations' vessels.)

The situation with air transport is particularly complicated. The Montreal-based International Civil Aviation Organisation gives each country the right to negotiate reciprocal landing right arrangements in foreign territories to which its airlines wish to fly. The essence of this is contrary to MFN. For example, it precludes *a priori* the possibility that Singapore Airlines might be allowed to start a service from Helsinki to Madrid. On this route, the ICAO confers exclusive rights on Finnair and Iberia.

Service negotiators in the Gatt generally accept that, in the near future, it would be impossible to unpick the network of bilateral arrangements that have grown up under the ICAO without wholesale disruption to air traffic. All now accept that this is one service sector where the MFN principle cannot be made to apply in the short run. The question has been how to phrase the exemption.

The EC would like to see only a limited exemption from MFN for air traffic rights with the Gatt agreeing to its being introduced to this sector at some stage in the future. The US, however, is insisting on a blanket and indefinite exemption covering not just landing rights, but ancillary services such as ground handling and computer reservations as well. Problems like those it suffered at Cointrin show that the provision of ancillary services can be used as a tool for airlines to win additional route capacity, it argues. It wants to retain the right to strike back.

As their impatience with the US has grown, other countries have begun openly to accuse Washington of picking and choosing to suit itself in its approach to service sector liberalisation. A Uruguay Round services agreement must involve the application of essential principles, like MFN, to all sectors without exception, they say. Otherwise there will be no incentive for anyone else to make concessions and the agreement will contain so many loopholes that it will not be worth the paper it is written on.

In theory, the situation could still be saved even though the talks have now less than three weeks to run.

Negotiators in Geneva say that, farm talks permitting, they would like to present a basic framework agreement for liberalising trade in services to trade ministers when they meet in Brussels early next month. This would set out the core principles involved, such as MFN. It would be accompanied by a series of annexes detailing how the framework would apply to specific sectors. Each country would also submit a list of the practical initial measures it would be prepared to take to open up its services markets. Further negotiation would follow next year and the new agreement could then take effect from the start of 1992.

Meeting this aim depends on the US backing down on its selective approach to MFN. Instead of doing so, it has sullenly criticised its trading partners, blaming them for the laundry list of exemptions which it says they in turn are seeking.

For example, Washington is deeply irritated with the EC for insisting on special arrangements for broadcasting. Under the current EC broadcasting directive, at least half the programmes shown on European television should be locally produced. Already France has introduced strict prime time quotas for its state-owned television. The US already has an annual surplus of $3bn with Europe in this sector.

Suddenly the US is now arguing that MFN, which is not acceptable in basic telecommunications, shipping and air transport, must be applied to broadcasting. Its negotiating partners have seized on this inconsistency to blame Mrs Carla Hills, US trade representative, for lack of leadership. Aggressive in her dealings with the rest of the world, Mrs Hills has turned out to be a wimp in dealing with her own domestic lobbies, and is pandering to their every desire, they say.

Washington insiders say the personal flavour of such criticism is unfair. Mrs Hills has simply fallen foul of parts of the US government that, as one puts it, "deal only with their own clients and are just not interested in free trade". In happier times, President Bush might have been able to bang heads together in his own administration, but he is now too preoccupied with the Gulf crisis and the aftermath of his disagreement with Congress on the budget.

Indeed, the rebellious mood of Congress has made Mrs Hills' problems all the greater. US negotiators say it will only be possible for negotiations on services to continue next year if Congress agrees to extend the negotiating mandate which it has conferred on the Bush administration. In the present environment, it will not do so unless it is convinced that tangible results are within grasp. The problem is that no one has yet been willing to offer anything practical that will impress Capitol Hill.

If that explains why the US is now clinging to its right to unilateral action in the most sensitive services sectors, it has also created a conundrum that will be difficult to break, especially in a climate made bitter by the trans-Atlantic hostilities on farming. Concessions from the rest of the world will not flow until the US swings fully behind the MFN principle, but it will not do so unless it can first see the concessions on the table.

Seasoned trade negotiators say this could wreck the chances of an agreement that could open multi-billion-dollar new business opportunities for both developed and developing countries alike. South Korea would be under no obligation to speed up the opening of its lucrative insurance market. Indian software firms would remain hampered in their efforts to win business from the US. US and European banks would be deprived automatic rights to compete on fair terms in the Japanese market.

Instead, the law of the jungle would continue to prevail at an ultimate political and economic cost, they say, far greater than that now required to set the negotiations back on track.

**Leading exporters and importers in world commercial services trade**

EXPORTS

| Rank 1970 | Rank 1987 | | 1987 Value ($bn) | 1987 Share (%) |
|---|---|---|---|---|
| 1 | 1 | US | 56 | 11.2 |
| 3 | 2 | France | 53 | 10.6 |
| 2 | 3 | UK | 43 | 8.6 |
| 4 | 4 | Germany | 41 | 8.2 |
| 5 | 5 | Italy | 33 | 6.5 |
| 6 | 6 | Japan | 28 | 5.5 |
| 6 | 7 | Netherlands | 23 | 4.5 |
| 8 | 8 | Spain | 22 | 4.3 |
| 10 | 9 | Belgium/Lux | 19 | 3.8 |
| 15 | 10 | Austria | 15 | 2.9 |
| 12 | 11 | Switzerland | 14 | 2.8 |
| 9 | 12 | Canada | 11 | 2.1 |
| 14 | 13 | Sweden | 9 | 1.7 |
| 11 | 14 | Norway | 8 | 1.7 |
| 27 | 15 | S Korea | 8 | 1.7 |
| 16 | 16 | Denmark | 8 | 1.5 |
| 22 | 17 | Singapore | 7 | 1.5 |
| | 18 | Hong Kong | 7 | 1.4 |
| 13 | 19 | Mexico | 7 | 1.3 |
| 17 | 20 | Australia | 5 | 1.0 |
| 26 | 21 | Taiwan | 4 | 0.9 |
| 20 | 22 | Greece | 4 | 0.9 |
| 18 | 23 | Yugoslavia | 4 | 0.9 |
| | 24 | China | 4 | 0.8 |
| 33 | 25 | Thailand | 4 | 0.7 |

IMPORTS

| Rank 1970 | Rank 1987 | | 1987 Value ($bn) | 1987 Share (%) |
|---|---|---|---|---|
| 2 | 1 | Germany | 64 | 12.4 |
| 1 | 2 | US | 56 | 10.8 |
| 5 | 3 | Japan | 52 | 10.1 |
| 4 | 4 | France | 43 | 8.3 |
| 3 | 5 | UK | 33 | 6.4 |
| 6 | 6 | Italy | 26 | 5.0 |
| 8 | 7 | Netherlands | 23 | 4.5 |
| 9 | 8 | Belgium/Lux | 17 | 3.3 |
| 7 | 9 | Canada | 16 | 3.1 |
| 15 | 10 | Switzerland | 12 | 2.3 |
| 10 | 11 | Sweden | 10 | 2.0 |
| 13 | 12 | Norway | 10 | 1.9 |
| 44 | 13 | Saudi Arabia | 9 | 1.8 |
| 18 | 14 | Austria | 9 | 1.8 |
| 16 | 15 | Spain | 8 | 1.6 |
| 11 | 16 | Australia | 8 | 1.5 |
| 17 | 17 | Denmark | 7 | 1.4 |
| | 18 | Taiwan | 6 | 1.0 |
| 32 | 19 | S Korea | 5 | 1.0 |
| | 20 | Hong Kong | 5 | 1.0 |
| 12 | 21 | Mexico | 5 | 0.9 |
| 40 | 22 | Singapore | 5 | 0.9 |
| 20 | 23 | Yugoslavia | 5 | 0.9 |
| 26 | 24 | Finland | 5 | 0.9 |
| 14 | 25 | South Africa | 5 | 0.9 |

Source: Gatt

# OBSERVER

## Flushing out Ecu people

■ "We won't give credit for a re-write of the Delors report," says Liam Doyle, chairman of the promotions committee of the Ecu Banking Association firmly. "We want originality and spark."

The Brussels-based Doyle is spearheading publicity for "The multimillion Ecu question", an essay competition for Europe's university students, designed to increase awareness of the issues behind EC monetary union, and to flush out new ideas from a generation which may have to live with the consequences.

The contest, which is being sponsored by, among others, the European Commission, the Society for Worldwide Interbank Financial Telecommunication (Swift), and Sabena World Airlines, will be run initially on a national basis with the 12 winning entries translated (where necessary) into English for the European judges.

Knowledge of the subject, creativity, and clarity are the main qualities being sought. Doyle assures me that candidates who present a convincing, well-argued case against a single currency will not be penalised. "If 90 per cent of the young people of Europe say it's a terrible idea we'll obviously have to think again," he says cheerfully.

## Crash landings

■ The number of Canadian high-flyers painfully coming down to earth is starting to rival the list in Australia's corporate casualty ward.

The latest is Roman Corporation, the coal and uranium mines of which made it a Toronto darling in the mid-80s. Roman has now announced that it is selling one of its few remaining jewels, a controlling interest in the international packaging group Lawson Mardon, to help shore up its troubled resources and financial services interests.

At least another four of the most glamorous names in Canadian business in the 80s have taken some hard knocks lately. Former real estate magnate Robert Campeau no longer runs Campeau Corp, as the company struggles to survive its debt-financed forays into US retailing. Frank Stronach's giant automotive parts company, Magna International, is currently in the throes of a restructuring. Cineplex Odeon, North America's second biggest film exhibitor, is sorting out its problems without its fiery founder, Garth Drabinsky. And former university lecturer Rod Bryden's paperboard and computer systems holding company Kindburn Corp has been unable to meet interest payments on its C$616m (£356m) debt.

## Issue on wings

■ John Walker is tolerantly used to people regarding his boat-building company as an enterprise launched on a wing and a prayer.

Today, Walker Wingsail Systems offers a final £1m worth of shares to add to the £8m worth already issued under the Business Expansion Scheme.

It is has been a busy week for the Cornish-born aeronautical engineer. On the waters of Plymouth Sound the company's first production yacht has been unveiled to a somewhat bemused public. The 54ft trimaran Planesail is powered by twin vertical wings - similar in size and shape to those from, say, a Lear jet stood on end.

A Walker-developed computer, named the Micromariner, controls the various flaps and surfaces. The skipper sits behind panoramic windows conning the ship from a contoured driver's seat worthy of a Porsche.


"You won't recognise me. I used to read the news on BSB."

"The only ropes on this boat are used to moor it," comments Walker, chairman and managing director of WWS.

Scientifically Planesail makes perfect sense. Rigid aerofoils provide nearly three times as much lift or "drive" as conventional soft sails. With computers they can easily be controlled. The yacht can even go astern under wind-power – try that in a conventional Bermudan sloop.

But does not the boating fraternity crave wet ropes, physical exertion, and manly discomfort for its fun? "If innovators took any notice of the nostalgia gang every time they came up with an idea, we'd have no progress," scoffs Walker.

## Mystery tour

■ London Underground's Central Line must be in the running to take over the "Misery Line" title from the Northern Line.

Now it seems that even the drivers don't know where they are going. Commuters trying to reach stations on the Epping branch line this week boarded a train for Epping, and were continually assured over the intercom by the driver that they were indeed stopping at all stations to Epping.

But on arrival at Leytonstone, where the line branches, the station loudspeaker announced that the train was going to Hainault. The embarrassed driver spoke on the intercom to apologise for what he, an honest worker beholden to no man, called "management incompetence".

He then set off down the Hainault line with Epping still proudly displayed on his train. Needless to say the next three trains followed him to Hainault.

## Polly peaks

■ There is a connection between Polly Peck and Twin Peaks, the cult US television series now making its mark on British viewers.

Until she returned to Seattle this week, Susan Johnston handled public relations for Cameron Markby Hewitt, the London law firm assisting the two Polly Peck administrators from Coopers & Lybrand Deloitte.

Before she left, she told me her mother, an architect, had designed the hotel in Snoqualmie, Washington state, pictured in the programme's opening sequence.

Have you watched Twin Peaks? The only tale harder to follow must be Polly Peck's.

## Hard times

■ Definition of recession heard in Yorkshire. "You know it has arrived when even the people who have no intention of paying you stop giving you orders."

Meanwhile, in London they are defining an optimist as an investment banker who irons five shirts on a Sunday night.


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# Howe to sink the Iron Lady

**Joe Rogaly on the grim political outlook for the prime minister**


If Sir Geoffrey Howe's resignation speech does not topple Mrs Margaret Thatcher it is hard to imagine what will. The sheer devastating force of it will be remembered for a great many years by everyone present in a packed House of Commons. The speech made in similar circumstances just over year ago by the former chancellor of the exchequer, Mr Nigel Lawson, seemed powerful at the time – and she survived – but yesterday was in a class of its own.

Here was the prime minister's longest-serving companion, a man known to have suffered a thousand humiliations with patience and awarded as many rebuffs with persistent loyalty, the individual most qualified to be awarded the title of architect of Thatcherism, the much-maligned dead sheep of British politics, rising to tell his former colleague, she with whom he had co-operated for 15 years in the national interest, that she has erred most grievously, that her perceived attitude towards Europe "is running increasingly serious risks for the future of our nation".

He went right to the heart of the matter. His short address will serve for a long while as a perfect potted history of British government after 1979. He recalled their successes in the early years, when exchange controls were abolished, inflation was brought down to 4 per cent, industrial reconstruction was commenced, and free markets were encouraged. None of this would have been possible, he acknowledged, without the courage and leadership of Mrs Thatcher.

Similar praise was poured on her early European Community victories. Then this still widely respected elder statesman of his party layed into her, telling with exquisite clarity and merciless detail just how it all went wrong. With Mr Lawson sitting beside him, Sir Geoffrey lamented the inflation that might not have arisen had Britain joined the exchange rate mechanism of the European Community five years earlier. Style and substance – the prime minister's style and the substance of the prime minister's instincts, it was clear – came together and damaged Britain as negotiations on economic and monetary union lay ahead. "She seems sometimes to look out upon a continent which is positively teeming with ill-intentioned people," he protested. "What kind of vision is that?"

The impact of the speech will be the greater for its timing. It comes after three weeks of progressive deterioration in Tory morale, at a time when speculation about a challenge to the prime minister's leadership has been particularly intense. Sir Geoffrey's punchline was designed to bring on a challenge that could result in her own enforced retirement. "The time has come for others to consider their response to the ... tragic conflict of loyalty with which I have perhaps wrestled for far too long," he said, standing a few feet away from Mr Michael Heseltine.

There is only one state of affairs in which Mr Heseltine could be regarded as wise to accept this challenge. That is if he is certain of either victory or so good a showing that he is not knocked out of the running should there be a second opportunity next year. Before Sir Geoffrey spoke it was still possible to doubt that such conditions prevailed; once he sat down the odds had clearly moved the other way.

Since he walked out of the cabinet in 1986 Mr Heseltine has consistently maintained that he could see no circumstance in which he would stand against Mrs Thatcher. Let her first be caught out by someone else, or by fate, said he. Then the party would recognise his election-winning potential. Only then would he come forward. Before Sir Geoffrey spoke it was reasonable to give Mr Heseltine's long hesitations the benefit of the doubt, to argue that a chance good enough to constitute a guarantee of winning was not self-evidently in prospect. If he could not spot such an opportunity, and if his ambition was the principal force that drove him on, there would be no logical reason to have his name put down before nominations for the leadership of the Conservative party close at noon tomorrow.

The arguments are clear. If he loses badly, his lifelong campaign to become prime minister may well have ended in failure. If he gets a respectable showing, with towards a half of the 372 Tory MPs who can vote in such a contest indicating support for him, he would have created a springboard for a subsequent attempt even if Mrs Thatcher is confirmed in office for the duration. On Monday the risks of this hypothetical close call not working out may have seemed greater than the risk of later failure if he were to indicate that he is not after all a candidate now.

If he was to shy at this jump after yesterday's drama there would be a loud chorus of derision. He would be written off as a man of straw, and rightly so. He would, however, have lived to fight another day. That may be why he kept silent throughout the long weekend of speculation. His strategy has all along been based on the proposition that the Tories will turn to him when they see no alternative save the political abyss. It is quite reasonable to expect them to be in just such a condition after next May's local elections, or next October, or after a close-run general election whose outcome suggests a further poll within a very short period. A strategy whose sole purpose is victory is no strategy at all if it ends in certain defeat.

None of this will do for an excuse today. The circumstance he could not conceive has arisen. Sir Geoffrey's resignation 10 days ago, and the reasons now given for it, constitute that circumstance. For his part Mr Heseltine rehearsed his own European policy, for the umpteenth time, in a speech in Hamburg yesterday morning. In essence, it emphasises that the EC is governed from the top by a colloquy of nation-states. It is not a federation, even in embryo. "If we have all achieved common standards of the highest quality, the decision to share in their management might – a decade or so from now – seem far less controversial than it does in the very different climate of today," he said.

This is why the true significance of the drama confronting the Conservatives is so important. At the end of the day it matters not a fig whether politician A or politician B climbs to the top of the greasy pole; it is the effect on our national fortunes that counts. Mrs Thatcher recognises this, as she emphasised in a dignified response to a questioner before Sir Geoffrey spoke yesterday. Yet it it is sometimes impossible to disentangle her personal style from the issues. It is perhaps for this reason that the strong feeling at Westminster yesterday was that she now really is on her way out.

## Monetary systems and the hard Ecu

# Why a 'parallel currency' is a contradiction in terms

**By Tim Congdon**

What is a "currency"? How is a "money" to be defined? And what meaning attaches to the phrase "monetary policy" and to the related concepts of monetary "policymakers" and monetary "policy actions"?

These are basic questions. Indeed, they are so basic that one wonders how any discussion of a change in monetary regime could proceed unless they had been answered. However, a case can be made that the nations of Europe have embarked on the enterprise of unifying their currencies without these questions being clarified or even, in any serious sense, being asked. The problem afflicts many of the schemes under consideration, but is particularly serious with the British government's plan for a "hard Ecu".

A brief account of certain essential defining features of modern monetary systems seems to be necessary. The most fundamental form of money is the note issue, which is legal tender and cannot be refused in the settlement of debts. These legal-tender notes are issued exclusively by the central bank, which is also banker to the government. The distinctiveness of its liabilities marks the central bank off from the rest of the banking system. The deposits of other banks are not legal tender, but must be convertible into it if they are to remain in business.

**The hard Ecu plan is not consistent with the features essential to a working monetary system**

It is the special character of the central bank's liabilities which gives it the power to determine interest rates and conduct monetary policy. Moreover, within any one country there is only one central bank and one currency, partly because the existence of only one currency reduces transactions costs, but also because a plurality of legal tenders would create problems similar to those arising from a plurality of legal codes.

The key ideas can be expressed even more pithily, if at the cost of over-simplification. Companies are bust if they have no money in the bank; banks are bust if they have money in (or claims on) the central bank: but the central bank cannot go bust. The central bank is therefore unique. Its uniqueness stems from two of its attributes, that its liabilities are – by law – always worth their stated value and that it is the government's bank.

The hard Ecu plan, although purportedly the beginning of a new currency, is not consistent with any of the features identified here as essential to a working monetary system. Most crucially, the government has not spelled out whether the hard Ecu is to be legal tender or not. If it is not to be legal tender, the great ambitions held out for it will prove entirely fanciful.

Why should anyone want to carry out transactions in it? It will be competing, in all the countries of Europe, with an existing legal tender with which everyone is familiar. The preference for the existing currencies does not stem only from the convenience of having prices in one unit, but also from the inertia due to the massive inheritance of past contracts expressed in the national currency.

Most tellingly, why should the hard Ecu succeed where the Ecu has failed? The Ecu was conceived over a decade ago and was intended in time to become a pan-European currency, but nowhere in Europe has it supplanted national legal tenders.

How would monetary policy be conducted in hard Ecus? According to the British government's proposals, the quantity of hard Ecus is to depend on how much the peoples of Europe decide to surrender their national currencies for hard Ecu notes or balances with a newly-created European Monetary Fund. Because of its redundancy in transactions, it is far from clear that the peoples of Europe would want to convert any of their national monies into hard Ecus. But suppose, for the sake of discussion, that large-scale conversions did take place. Could a sensible "monetary policy" still be imagined?

The first difficulty is that the EMF could not control the quantity of its own liabilities, because – as already explained – the EMF can issue hard Ecus only if it has already received national-currency backing. The suggestion that a central bank could conduct monetary policy without being able to determine the size of its balance sheet is surely a nonsense.

But, in any case, why should private commercial banks pay any attention to the EMF? In a standard monetary system, the central bank exerts power over them because its liabilities are legal tender and theirs are not. If the hard Ecu were not legal tender, banks could ignore any so-called "policy actions" emanating from the EMF, including any putative "interest-rate decisions" taken by it.

Much of the trouble arises because the British government has failed altogether to define what kind of monetary asset the hard Ecu would be. Sometimes it seems to be talking about hard Ecu *notes*, in which case the question of interest payments does not arise and the notion of "interest-rate decisions" is absurd. Sometimes, however, it refers to hard Ecu *deposits*.

There could then certainly be interest payments. But where would the money to pay the interest come from? What assets would the EMF hold to cover the cost? And how could it acquire such assets without becoming involved in the whole business of money creation? Bank of England and Treasury officials would learn much about the viability (or lack of it) of the hard Ecu if they set themselves the classroom exercise of projecting the EMF's balance sheet and profit-and-loss statement in its first five years. It would also be necessary to elucidate the business logic behind decisions to borrow from the EMF, to hold its notes and to leave deposits with it.

Of course, the hard Ecu might be granted legal tender status from the outset. But it needs to be recognised that the implied invasion of sovereignty would be as deep as anything envisaged by the Delors proposals. A supranational European body – the European Monetary Fund – would have the power to issue currency in Britain and to override the monetary sovereignty of the British government.

The Treasury might claim that, because initially the hard Ecu could be issued only against the backing of national currencies, the ability of the new fund to influence the behaviour of the British economy would be limited. But one then has to wonder whether there would be much point in all the institutional upheaval implied by the hard Ecu proposal.

**The government has failed altogether to define what kind of monetary asset the hard Ecu would be**

The dominant monetary arrangements of the modern age – in which one country has one law, one central bank and one currency – have not evolved accidentally. Certain British Treasury officials have wondered why the Bundesbank emphasised the replacement of one legal tender by another as the essence of German monetary union earlier this year. The answer is that the Bundesbank understands how monetary systems work, whereas they do not.

The very notion of a "parallel currency", in which two currencies and central banks are supposed to co-exist, is a contradiction in terms. A currency is a currency because it is the only one in being. The hard Ecu proposal has so far been met with polite bemusement by other European countries. It should be dropped before it exposes the British government to ridicule.

*The author is managing director of the economic consultancy Lombard Street Research.*

# *LETTERS*

## Community policy in the Uruguay Round

*From Mr Martin Taylor.*

Sir, Your editorial comment on the Uruguay Round ("Five minutes to midnight," November 12) is curiously inconsistent in the approach it adopts to the liberalisation of trade.

On the one hand it calls for the removal of distortions of competition in agriculture.

On the other it urges the European Community to drop its "stringent conditions" for liberalising trade in textiles. The sole purpose of these conditions is to require the gradual reduction or removal of measures distorting competition in international textile and clothing trade, such as very restrictive tariff and non-tariff barriers, theft of designs and brand names, excessive subsidies and other ways of rigging the market (for example, when cotton growers are forced to supply local industry at below world prices).

The declaration setting up the Uruguay Round in 1986 specifically linked the integration of textiles and clothing into the General Agreement on Tariffs and Trade (Gatt) to the adoption of "strengthened Gatt rules and disciplines". It is this that the EC is seeking to achieve – no more and no less. Its position deserves your support.

Martin Taylor,
*chief executive,*
*Courtaulds Textiles,*
*13/14 Margaret Street, W1*

## The Tory leadership struggle

*From Mr Brian Reading.*

Sir, Reports on the Tory leadership struggle indicate that a large number of Conservative stalwarts have little liking for democracy. They maintain that any challenge to Mrs Thatcher is divisive and therefore damaging. Yet it is the divisions in the party which prompt the challenge, not the challenge which causes the divisions.

The problem is not that Mrs Thatcher is now being forced actively to seek re-election, but that for so many years she has been allowed not to do so. Had at least a token candidate been put up against her every year since she became leader, so that her supporters could stand up and be counted, leadership elections would by now be regarded as a source of strength.

They would have obliged Mrs Thatcher to heed the opinions of her cabinet and her party. The poll tax abomination would probably have been avoided and her stance on Europe would perforce have been more conciliatory. The Tory party is divided largely because, out of misguided loyalty, it has chosen to place no check on the power of its leader to dictate policy.

Brian Reading,
*83 Shakespeare Tower,*
*Barbican, EC2*

## Powers of the Irish presidency

*From Mr Brian McLoughlin.*

Sir, Your assessment of the significance of the election of Mary Robinson to the presidency of the Republic of Ireland ("Modernisation of Ireland," November 12) ignored probably the most important presidential power. She has the right to refer legislation to the Supreme Court if, in her opinion, it is in conflict with the constitution.

The significance of Mrs Robinson's election may well turn out to be her background as a leading constitutional lawyer rather than being the first woman president, first left-wing politician president or first not nominated by the dominant Fianna Fail party.

Brian D. McLoughlin,
*28 Prebend Street, N1*

## Oil companies' stock gains

*From Mr P.G. Symington.*

Sir, I am astonished that Mr Frank Dobson, shadow Energy Secretary, who accuses the oil companies of profiteering, does not appear to understand what a stock gain is ("BP and Shell face criticism," November 9).

P.G. Symington,
*Wickets,*
*Harborough Hill,*
*Pulborough, Sussex.*

## Need for research into how juries do their work

*From Mr Paul Robertshaw.*

Sir, Louis Bloom-Cooper certainly adds some useful ideas to the debate on the jury in serious fraud trials ("The jury system under trial," November 5). This is particularly so on the value to defendants and the system of reasoned verdicts, a value equally pertinent to magistrates' decisions.

It is difficult to be more than lukewarm about his comments on note-taking, clarificatory questions and the value of summing-up, not because one disagrees with him but because these are assertions not backed by evidence. The brute fact is that we do not know how jurors cope with their task. Do they for example establish divisions of labour where memory is a problem? Do they test each other's expertise where relevant, and so on?

Members of both sides of the Home Affairs Select Committee hope to persuade the government or to push an amendment themselves to the Criminal Justice Bill modifying section 8 of the Contempt of Court Act 1981 so as to allow licensed and judicially supervised research on jury deliberation. I hope these moves will be mirrored in the House of Lords.

Paul Robertshaw,
*Cardiff Law School,*
*University of Wales*
*College of Cardiff*

## One-stop shopping for mergers

*From Mr Jonathan Faull.*

Sir, Celia Hampton (Letters, November 2) misses a very simple point about the national competition authorities' role under the European Community's merger regulation.

National authorities will very rarely need to bother companies with requests for information because they will have copies of the notification submitted to the European Commission. Since the Commission's notification form was criticised for being excessively comprehensive, it can hadly be argued that national authorities will systematically need more information.

On the contrary, the spirit of co-operation between national and EC competition authorities to which Sir Leon Brittan referred ("Misplaced doubts on EC mergers," October 11) and the fact that the Commission sends copies of notifications to the national authorities will ensure that one-stop shopping works to everyone's advantage.

Jonathan Faull,
*Office of Sir Leon Brittan,*
*European Commission,*
*200 Rue de la Loi,*
*Brussels*

## Housing association finance

*From Mr Stephen Duckworth.*

Sir, Lex ("Index-linked," November 7) links the £60m issue of a 30-year index-linked debenture to provide funds for 30 UK housing associations with the potential market for such funding with "near-bankrupt property developers".

There is a big distinction between the security which housing associations can offer for this loan as compared with property developers, even in more normal times.

Registered housing associations, for which this loan is intended, develop property to provide housing for people in housing need – by way of rent or shared ownership (that is part-owned/part-rented). They are therefore concerned with retaining a long-term interest in their stock rather than building speculatively for immediate disposal to the highest bidder.

Associations working within the Housing Corporation's mixed-funded programme are supported by housing association grant averaging 75 per cent per scheme. Not only are lenders asked to provide only the other 25 per cent of the scheme costs, but in the event of financial difficulties the responsibility to reimburse the public grant on disposal will be subordinated so that private lenders will be repaid first.

As your news report on the issue pointed out, the index-linked structure of this loan is especially suited to housing association finance because rental income from housing stock has historically kept in line with growth in the retail prices index.

Stephen Duckworth,
*head of housing finance,*
*National Federation of*
*Housing Associations,*
*175 Gray's Inn Road, WC1*


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MFC Managing Finance & Control
MM Managing Marketing
MIMS Managing Industrial Market Strategy
MS Managing Services
MSF Managing the Sales Force
MMG Managing Manufacturing
MR&D Managing Research & Development
MTI Managing Technological Innovation
OAK Organization-Action-Knowledge-Projects
ICP In-Company Programs
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US senators seek support for recall

# Congress must approve Gulf action

By Lionel Barber in Washington

A SPECIAL session of Congress to seek approval for US military action in the Gulf was urged yesterday by two leading Republican senators amid rising public concern that the US may be sliding closer to war with Iraq.

Senator Robert Dole, minority leader, and Senator Richard Lugar, former chairman of the foreign relations committee, said a statement of congressional support would help to shore up public opinion and to quieten criticism of the deployment of US forces.

The White House reacted coolly, saying a recall of Congress was not necessary and that the US still hoped for a peaceful solution. However, officials acknowledged a growing mood of apprehension since President George Bush ordered an extra 150,000 troops to the Gulf last week.

Fuelling tensions, the Pentagon announced that about 2,000 US marines would conduct an amphibious assault exercise in Saudi Arabia not far from occupied Kuwait. However, officials stressed that the move was not intended to provoke Iraqi forces into a war.

Mr Bush will attempt to calm the nerves of congressional leaders in a White House briefing today. He is expected to stress that the threat of force is vital to maintaining the credibility of the military option against President Saddam Hussein even as United Nations sanctions continue against Baghdad. He will state this in his forthcoming trip to Europe and Saudi Arabia.

At the UN in New York, US and other allied diplomats have begun working on a new security council resolution highlighting Iraq's pillage of Kuwait and associated "war crimes". The aim, said one diplomat, was "to hold together American public opinion".

Mr Lugar and Mr Dole made clear they were not seeking a formal declaration of war against Iraq but a broad declaration of support which would avoid a repetition of the Vietnam experience when, Congress argued, the president conducted a war without adequate authorisation.

Mr Dole said: "I think it ought to be put to the Congress – put up or shut up. And if they say no, well then the president has to decide whether to go it alone."

Mr Lugard: not seeking a formal declaration of war

Mr Lugar argued that congressional support "authorising our staying power" in the region would help to convince Mr Saddam about US resolve. "So long as he has any doubt, the chances for miscalculation and tragic mistakes loom much too large."

Since the mission of US forces expanded from the defence of Saudi Arabia to a possible offensive strike against Iraq, opinion polls show a fall in Mr Bush's approval rating and growing calls among Democrats for the president to justify his action.

Mr James Reston, the veteran New York Times commentator, wrote yesterday: "I haven't heard many Americans clamouring for war to "get the boys home before Christmas" but I hear a lot of people hoping the president will think before he jumps."

Mr Lugar's call is likely to further shake up the debate in Washington, though the Democratic leadership may not wish to force the issue of pre-authorising the use of force.

However, Neo-isolationists such as Mr Patrick Buchanan, the columnist, have begun to attack Britain over its hard line in the crisis. "Americans, not Brits, are going to do the dying to validate these overdramatised ultimatums we keep getting out of No 10 Downing Street."

Saddam said to favour 'last chance' summit, Page 6

# UK plans to widen telecom competition

By Paul Abrahams and Andrew Taylor in London

RADICAL and far-reaching proposals to increase competition in the UK telecommunications industry were unveiled by the government yesterday.

The measures, aimed at increasing choice and service quality at competitive prices, are explicitly designed to correct "the overwhelming dominance of British Telecom" in the telecommunications market.

In the most significant review of the industry since the privatisation of BT in 1984, the government said it intended to increase competition on local, trunk and international services. It also plans to break the duopoly of fixed-link services enjoyed by BT and Mercury Communications.

Regulations controlling BT will also be increased to ensure that the company, which controls 95 per cent of the market, does not crush new competitors.

BT's lobbying for less regulation has been brushed aside. So too have the arguments that it should be allowed to increase its prices for domestic subscribers to end cross-subsidies. Mr Peter Lilley, trade and industry secretary, rejected suggestions that the review was designed to punish BT, arguing that increasing competition was normal.

BT's share price fell 2p after the announcement to 280p, but was 3p up on the day.

Analysts said there had already been considerable discounting. BT said it welcomed the thrust towards greater competition but was disappointed by some of the proposals.

The principal winners from the review appeared to be the cable television companies, many of which are owned by US telecoms groups, which have been given permission to provide voice services.

Mr Wayne Gowen, managing director of US West Cable Communications, a subsidiary of US West which has invested in 14 UK cable franchises, said: "At this stage we think the headlines are good news. The overall move to more competition in telephony is just the boost the cable industry needs."

Companies benefiting from the proposals are likely to be mobile operators, such as Racal Telecom, shares in which rose 19p to 278p, and the UK's four telepoint consortia. Public utilities, such as British Rail, the electricity companies, water groups and the Post Office are also expected to take advantage of the new opportunities.

Mercury Communications, which is owned by Cable & Wireless, said it welcomed the opportunities offered by the review. In particular, it was pleased by the introduction of "equal access" allowing customers to chose through which telephone company their call is routed.

Mr Peter van Cylenburg, Mercury's chief executive said: "We particularly welcome the Government's addressing the issue of equal access. This is the key to providing real choice to all customers." He said Mercury had won a 55% share of the market in Hull, the only area of the country where it had equal access."

However, the government has rejected the company's pleadings that further competition would weaken Mercury's position rather than BT's dominance. Cable & Wireless' shares fell 6p to 431p.

Mr Gordon Brown, shadow trade secretary, said increased competition was not a substitute for "active public regulation." The proposals did nothing to set targets for the quality of services and should have included guidelines about investment in research into high technology and the objective of reducing charges for connecting and installing telephones, he said.

Analysis, Page 4

# Japan condemns EC anti-dumping rules

By Tim Dickson in Brussels

THE European Community's anti-dumping rules came under strong fire again yesterday following the announcement in Brussels of new curbs on Far Eastern audio cassette imports.

TDK, a leading Japanese company being asked to pay the steepest provisional anti-dumping duties (22.3 per cent), immediately condemned the decision as unfair, against the interests of European consumers, and founded on an "unprecedented and unprincipled" method of calculating injury to EC producers.

The UK government, meanwhile, has also expressed strong reservations about the "mathematical formula" used by the Commission and plans to oppose the duties when member states are asked to confirm them in the EC's Council of Ministers.

Brussels, however, listed several reasons why it feels the action is justified:

- Imports from Japan, South Korea and Hong Kong had jumped by 38 per cent between 1985 and 1988 – eaching 212m units or $450m at the end of the period
- The dumpers' share of the EC market rose by 10 per cent and overall imports by 3 per cent in this time
- Prices obtainable by EC producers (notably BASF and Agfa) fell significantly while their sales also dropped back despite an expanding market
- And 23 per cent of the EC workers making audio cassettes lost their jobs.

Dumping margins varied from 44.5 per cent to more than 80 per cent in the case of Japanese companies, between 3 per cent and 19 per cent for the Koreans, and from 0.48 per to 2.4 per cent for those from Hong Kong.

Besides TDK, the decision affects Sony (provisional anti-dumping duty 18.6 per cent), Maxell (18.5 per cent), Fuji (15 per cent) and Denon Columbia (14.7 per cent), a group of Korean producers including Goldstar and Saehan Media (19.4 per cent) and Hong Kong companies including Swire and Yee Keung (2.4 per cent).

TDK says dumping as such was not the main issue, maintaining that the share of the market taken by specifically Japanese imports over the period did not increase (a point confirmed last night by a spokesman for the commission).

It says that the real challenge to community producers came from Japanese owned manufacturing plants inside the EC and claims that the latest Brussels action is therefore a disguised attack on them.

The company also takes issue with the allegedly high level of profitability figure used by the commission in its calculations to establish the injury caused by the dumping.

It says that this was well beyond the figure normally used in such cases.

# Two RAF bases to be closed in Germany

By John Authers in London

THE closure of two of Britain's four Royal Air Force bases in Germany was announced yesterday as part of moves to adapt UK forces to the new political climate in eastern Europe.

The cuts, part of the defence ministry's "options for change" programme, came as Mr Alan Clark, defence procurement minister, announced the placing of a £500m ($970m) contract with Vickers Shipbuilding and Engineering to build a third Trident Vanguard submarine.

Flying activity at the two RAF bases, Wildenrath, near the Dutch border, and at Gutersloh, the smallest base, which is near Essen, is to be cut progressively from next year. Final closure is scheduled for 1992.

The two squadrons of ageing Phantom jets at Wildenrath are to be phased out, while the two squadrons each of helicopters and of Harriers at Gutersloh, are likely to be redeployed to the other RAF bases at Bruggen and Laabruch. The two remaining bases are already home to four squadrons each of Tornados.

The MoD could not say whether there would be cuts among the total of 10,860 servicemen now stationed at the four bases. Gutersloh personnel are likely to be redeployed to the other German bases while staff changes resulting from the Wildenrath closure would "hopefully be encompassed within the ordinary turnover of staff" the MoD said.

On the submarine order, Mr Clark said that the new vessel would be built at a lower price in real terms than its two Trident predecessors. Rolls-Royce, which has responsibility for designing the nuclear reactor plant equipment, and General Dynamics of the US, which will build the submarine's strategic weapon systems, will also benefit from the order.

# CS Holding boosts CS First Boston stake

Continued from Page 1

He said the situation at First Boston worsened considerably after the August invasion by Iraq of Kuwait, which killed any chance of reviving the junk bond market.

The company had hoped that it would have been able to refinance its bridge loans in the junk bond market.

Officials said the liquidity problems had been worsened when Moody's Investors Service, the US rating agency, put the company's credit ratings under review in October.

This was beginning to undermine the perception of the company as an effective underwriter of securities in Wall Street and may eventually have led the firm's European arm to suffer.

Mr John Kriz, a senior analyst at Moody's, said the moves would be viewed positively by the rating agency.

Officials at CS First Boston said they should improve perception of the group's credit risk. But one added: "Whether it will be enough to support a big business in the future in America, that's a totally different matter."

Mr Hans-Jorg Rudloff, chief executive of the European arm, said the European business had had one its best periods ever in the first half of the year, but business had fallen off significantly in August and September. Profits for the year would be roughly half those of 1989, which had been one of the best years in the past decade.

One effect of the moves will be to hit the value of the 25 per cent of CS First Boston owned by its employees. Staff of the European affiliate, who have long been critical of the management of the New York arm, will be affected.

## WORLDWIDE WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 19 | 66 |
| Algiers | F | 19 | 66 |
| Amsterdam | C | 13 | 55 |
| Athens | S | 16 | 61 |
| Bahrain | S | 27 | 81 |
| Bangkok | R | 27 | 81 |
| Barcelona | S | 18 | 64 |
| Beirut | – | – | – |
| Belfast | S | 13 | 55 |
| Belgrade | C | 6 | 43 |
| Berlin | C | 6 | 43 |
| Biarritz | S | 16 | 61 |
| Bombay | – | – | – |
| Bordeaux | S | 18 | 64 |
| Boulogne | F | 14 | 57 |
| Brussels | Dr | 11 | 52 |
| Budapest | C | 5 | 41 |
| Buenos Aires | C | 28 | 82 |
| Cairo | S | 23 | 73 |
| Cape Town | R | 14 | 57 |
| Caracas | C | 28 | 82 |
| Casablanca | S | 21 | 70 |
| Chicago | S | -1 | 30 |
| Cologne | R | 9 | 48 |
| Copenhagen | C | 8 | 46 |
| Corfu | R | 14 | 57 |
| Dallas | S | 8 | 46 |
| Dublin | F | 13 | 55 |
| Dubrovnik | S | 18 | 64 |
| Edinburgh | C | 13 | 55 |
| Faro | S | 21 | 70 |
| Florence | S | 17 | 63 |
| Frankfurt | C | 8 | 46 |
| Geneva | C | 8 | 46 |
| Gibraltar | F | 19 | 66 |
| Glasgow | C | 12 | 54 |
| Helsinki | Sn | 1 | 34 |
| Hong Kong | – | – | – |
| Innsbruck | S | 9 | 48 |
| Inverness | F | 12 | 54 |
| Islamabad | F | 24 | 75 |
| Istanbul | S | 12 | 54 |
| Jakarta | F | 33 | 91 |
| Jersey | S | 14 | 57 |
| Johannesburg | S | 29 | 84 |
| Lima | F | 20 | 68 |
| Lisbon | S | 19 | 66 |
| London | R | 14 | 57 |
| Los Angeles | S | 16 | 61 |
| Luxembourg | Dr | 6 | 43 |
| Madeira | F | 21 | 70 |
| Madrid | S | 14 | 57 |
| Majorca | S | 19 | 66 |
| Malaga | S | 19 | 66 |
| Malta | F | 19 | 66 |
| Manchester | C | 14 | 57 |
| Manila | C | 29 | 84 |
| Melbourne | S | 28 | 82 |
| Mexico City | F | 23 | 73 |
| Miami | F | 18 | 64 |
| Milan | Fg | 2 | 36 |
| Montreal | F | -6 | 21 |
| Moscow | S | -4 | 25 |
| Munich | S | 8 | 46 |
| Nairobi | F | 20 | 68 |
| Naples | S | 18 | 64 |
| Nassau | – | – | – |
| New Delhi | S | 27 | 81 |
| New York | F | 2 | 36 |
| Nice | S | 18 | 64 |
| Nicosia | S | 20 | 68 |
| Oporto | S | 17 | 63 |
| Oslo | Fg | 2 | 36 |
| Paris | C | 13 | 55 |
| Peking | S | 17 | 63 |
| Prague | F | 8 | 46 |
| Reykjavik | F | 19 | 66 |
| Rhodes | S | 18 | 64 |
| Rio de Janeiro | C | 32 | 90 |
| Rome | S | 17 | 63 |
| Salzburg | S | 10 | 50 |
| San Francisco | S | 16 | 61 |
| Seoul | F | 15 | 59 |
| Singapore | F | 29 | 84 |
| Stockholm | C | 2 | 36 |
| Strasbourg | C | 8 | 46 |
| Sydney | S | 23 | 73 |
| Taipei | F | 27 | 81 |
| Tangier | S | 22 | 72 |
| Tel Aviv | S | 21 | 70 |
| Tenerife | F | 24 | 75 |
| Tokyo | F | 20 | 68 |
| Toronto | F | -3 | 27 |
| Tunis | C | 20 | 68 |
| Valencia | S | 20 | 68 |
| Venice | S | 13 | 55 |
| Vienna | C | 10 | 50 |
| Warsaw | C | 3 | 37 |
| Washington | S | 3 | 37 |
| Zurich | C | 7 | 45 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

# EC agrees draft rules for new European central bank

By Peter Norman in London

CENTRAL BANK governors of the 12 European Community states yesterday agreed the draft statutes of a future European central bank, although Britain expressed reservations.

Mr Karl Otto Pöhl, the president of the Bundesbank and chairman of the EC central bankers' committee, said in Basle that agreement had been reached "on practically all the basic principles" for a European central bank. The statutes, which he said were a very far reaching document, set out the legal and technical aspects of the bank.

However, Mr Robin Leigh-Pemberton, governor of the Bank of England, entered a general reserve which stated that Britain did not accept the case for a single European currency or single monetary policy.

He said that he had participated fully in the committee's discussions on the statutes because he recognised that the other governors wished to define the responsibilities and functions of the possible European central bank before EC leaders meet to discuss European monetary and political union at the inter-governmental conference (IGC) in Rome next month.

The governors have agreed a two-tier central bank system which will retain the existing national central banks alongside the future European central bank. The latter's main goal will be to secure price stability. The bank's statutes specify that it must be responsible for monetary policy in the EC and that it and its officers must be independent from EC governments and Community institutions.

However, yesterday's agreement has no bearing on when the proposed system should be set up. Economic and monetary union could take years to achieve.

Mr Pöhl has achieved an important objective in securing the support of all his EC colleagues for the document. The next part of his strategy is to make the text of the central bank statutes an integral part of the new EC treaty on economic and monetary union to be decided by the IGC.

The statutes were not published yesterday. It is thought that some technical issues have been left open and that some technical changes will need to be made to the text before it is submitted for discussion by community economics and finance ministers and consideration by EC leaders.

It was reported yesterday that Italy, which currently holds the EC presidency, was considering calling an informal meeting of finance ministers and central bankers early in December ahead of the IGC.

# Soviet accord on coalition

Continued from Page 1

republics.

Sunday's meeting was described by Mr Vitaly Ignatenko, Mr Gorbachev's spokesman, as "at times sharp and polemical, but at the same time very constructive".

There is still conflict on the extent of republican sovereignty and union authority. Mr Yeltsin told the Russian parliament yesterday: "I told (Mr Gorbachev): You have not officially recognised our declaration of state sovereignty. You have not officially recognised the division of functions between the centre and Russia. You conduct a constant diktat."

He said they had failed to agree on the division of taxes between the union and the republic and on the separation of budgets. However they did agree that Russian banks for foreign trade and foreign economic relations could be set up, and that Russia could have its own security service, instead of the KGB, he said.

It is also apparent that Mr Gorbachev is ready to consult the Russian government before issuing presidential decrees, and to warn it about big troop movements. Mr Yeltsin said he was insisting that all Soviet foreign borrowing should be cleared with the Russian government.

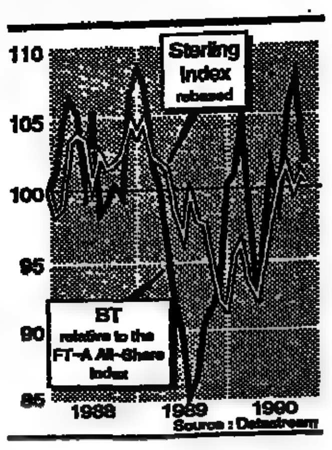
THE LEX COLUMN

# A call for more telephones

It is hard to quarrel with the immediate reaction to the Government's proposals to end the present telecommunications duopoly. Having sold British Telecom to the public when there was very little competition around, the authorities are now moving on to the next stage of privatisation and turning up the competitive pressure. The bulls will argue that BT can enjoy a smaller share of a faster growing market; but the immediate impression is that the biggest supplier stands to lose most.

BT wanted more competition and less regulation. It has got the former; and, while the new trade secretary is proving more radical than his predecessors, Oftel's contribution in shaping Britain's telecommunications policy shows little sign of being weakened. BT seems to have won few concessions on pricing flexibility and the promised entry into the entertainment business still seems very far away.

The most eye-catching element in the proposals is the progressive introduction of equal access. This is the way to introduce some real competition into the system, and it will be interesting to see whether it will be sufficient to tempt some of the US Baby Bells to take on BT. This would be very good for the consumers. But then BT will presumably fight its corner and ensure the costs of the exercise are spread fairly. Much of this is already in BT's share price and a multiple of 8 times earnings is a relatively conservative valuation, especially if BT is to settle down to squeezing its cost base as severely as its critics want.




## S.G.Warburg

The sanguine view of investment houses such as Warburg is that their shares are a highly geared play on world equity markets. The gearing is undeniable. Yesterday's interim figures are the ninth set of half year results since the group's formation at the time of Big Bang. In that time, profits from investment banking have been all over the place. The latest figure is little more than half the best previous result and more than double the worst. The immediate trend is presumably further downward, as the Continent joins the UK in economic slowdown. Warburg's strategy is based on diversification as a means of protection against falls in individual markets. But what if the latest downturn proves the norm and all markets fall together?

Some of that is taken care of by the yield, which at 303p is running at 6.6 per cent. It is also undeniable that for the all the group's main activities to stay in profit at a time like this is an achievement. But in stock market terms, Warburg's image of quality must be kept in perspective. Since Big Bang its shares have underperformed the UK market by more than 30 per cent. But they have more than halved compared with Schroders, which never got seriously involved in the securities game at all.

## Unigate

Painting a bleak outlook is one thing; painting oneself into a corner is another. Unigate is perhaps understandably trying to clear the decks for its new chief executive, but risks spoiling the remains of its credibility as a conglomerate. It has too many underperforming units, such as the Giltspur exhibition business, which could be classified as irrelevant. Rationalisation through disposals will be delayed by the economic climate, but greater logic is urgently needed.

The broad sweep of the company's pessimism at the interim stage yesterday was surprising. The best performing division was UK food, particularly liquid milk. However the renewed weakness in the poultry market will harm the profitability of farm foods in the second half. The distribution business was simply awful, with profits down nearly 60 per cent as vehicle sales and fleet contracts fell victim to the general corporate malaise.

The company has virtually ruled out a dividend increase this year. Even if last year's payment is merely maintained, expected profits of £92m and earnings of 27p per share will leave dividend cover at just 1.75 times, well below the level of recent years. The shares closed more than 6 per cent down yesterday; fair comment for now, though the 7.6 per cent yield is a support of sorts.

## Lloyd's

Is it too good to be true? The last month has witnessed striking outperformance by insurance broking shares, thanks to hopes of an old-fashioned increase in premium rates at Lloyd's after years of price-cutting. Prices for energy industry risks and for marine hull insurance have been edging up, thanks to the string of catastrophes which has nearly strangled many reinsurers. Now the gossip is switching to aviation, with rumours that Aerolineas Argentinas has become one of the first airlines for years to see its premiums rise. If the trend is firm, 1991 and 1992 may be good years for Lloyd's. Some of the 2,000 underwriting members who have resigned since January may regret it.

It is never, of course, that simple. Underwriting capacity is tight. Reporting third-quarter results yesterday, Sedgwick was still cautious, as befits a company whose taxable profits are static. The duration of any upturn is an open question. As for brokers' shares; on about 16 times 1990 earnings Sedgwick's have discounted most of the benefits, though Willis Corroon's, on a p/e of 12.2, still have life in them. And even if rates jump at Lloyd's, they might not in the over-supplied US insurance world. All that said, the odds do seem in favour of an imminent upturn in the London market.

## Bank of Ireland

The slump in interim profits at the Bank of Ireland and the surprise resignation of the chief executive is a stark reminder to innocent investors in bank shares that the gap between success and failure is *widening rapidly. Allied Irish* Banks and Bank of Ireland both faced the same problem of a dominant position in a mature market. Both needed to diversify and both picked the US and UK banking markets. Allied Irish has been successful and the Bank of Ireland has not. The only remaining question is whether the unusual presence of a wealthy investor on the board, in the form of Dr Tony Ryan, hastened the management upheavals.

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FINANCIAL TIMES

# COMPANIES & MARKETS

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SAA
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## INSIDE

### Out of the flying Pan

The haggling over bits and pieces of Pan Am, the once proud US flagship airline, is a further chapter in a sorry tale. From being America's first international airline and one of the biggest carriers of international traffic, Pan Am has fallen into severe debt. The carrier has tried to staunch the haemorrhage by slowly cannabalising itself – selling assets to bring in much-needed cash. Nikki Tait looks at fight over Pan Am's routes and the carrier's struggle for survival. Page 22

### Chemicals face strong reaction

The worst has yet to come for the European chemicals sector as the industry's sharp cyclical downturn takes its toll on many of the leading chemical-related stocks across the continent's bourses. Norsk Hydro, the Norwegian oil, metals and chemicals group, is likely to weather the storm better than most as it is insulated from the doubling of naptha prices because of its rapidly increasing oil production. Clive Cookson examines the long list of losers and the handful of winners. Back Page

### Feast in the east


What was once a grim and depressed east Germany, has become a land of opportunity. Leading western oil companies are anxious to gain market shares there, where the rate of oil consumption is expected to outpace the rest of the country. The companies hope east Germany's growth will compensate for a projected drop in west German oil consumption as a result of rising oil prices. Page 27

### LIG profits ahead 16%

London International Group, the consumer products and services company, saw first-half pre-tax profits rise 16 per cent despite slower growth in the use of condoms worldwide and a downturn in the UK photoprocessing market. Chairman and chief executive Alan Woltz (left) observed yesterday: "As we expected, the response to the Aids problem, in terms of convincing people that they should use condoms, is hard to sustain." Volume in the company's UK photoprocessing market declined in the first half. Page 26

### De La Rue jumps 70%

The money is rolling in at De La Rue. The UK banknote-printer yesterday announced an increase in pre-tax profits of more than 70 per cent in the six months to September 30. The rise is largely due to a series of disposals and continued cost-cutting. Since Jeremy Marshall joined the group as chief executive a year ago, the company has sold or closed all its troubled high-technology subsidiaries, reports Andrew Hill. Page 25

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Aachener Mu | 715 | + | 70 | Cetelem | 440 | + | 24 |
| Goldschmidt(TH) | 705 | + | 20 | Pollet | 410.8 | + | 11.8 |
| **Falls** | | | | Schneider | 615 | + | 27 |
| Bil & Berg | 843 | – | 22 | **Falls** | | | |
| Fag Kugelfisch | 237 | – | 22 | Auxiliare d'En | 969 | – | 55 |
| Rosenthal | 347.5 | – | 7.5 | Gaumont(Soc N) | 972 | – | 28 |
| Schering | 726.5 | – | 19.5 | Roussel-Uclaf | 2010 | – | 80 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Am Express | 21 7/8 | + | 4 1/4 | Hazama Gumi | 1330 | + | 100 |
| Exxon | 6 5/8 | + | 2 1/4 | K'saki Heavy | 546 | + | 19 |
| Gen Electric | 55 5/8 | + | 4 1/4 | Marubeni | 683 | + | 40 |
| Intel | 38 | + | 4 3/4 | M'bishi Heavy | 546 | + | 19 |
| Lockheed | 32 3/4 | + | 3 | [illegible] | 660 | + | 24 |
| **Falls** | | | | Tokyu Constn | 1220 | + | 110 |
| Philip Morris | 45 5/8 | – | 3/4 | | | | |

New York prices at 12.30pm.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | Eurotunl Nil pd | 188 | – | 35 |
| Amersham Int. | 288 | + | 11 | Indep News | 100 | – | 25 |
| Amstrad | 63 | + | 4 | Lionheart Pf | 55 | – | 10 |
| Applied Holog | 175 | + | 20 | Marshalls | 70 | – | 6 |
| Aviva Pet. | 14 1/2 | + | 1 3/4 | Mercury Asset | 430 | – | 20 |
| Brent Walker | 86 | + | 8 | Orchid Tech | 35 | – | 27 |
| Essex Furn. | 30 | + | 3 | P & O Defd | 469 | – | 15 |
| McCarthy | 74 | + | 5 | Pilkington | 145 | – | 15 |
| Racal Telecom | 278 | + | 19 | Sonic | 33 | – | 3 |
| **Falls** | | | | Tunstall | 97 | – | 8 |
| Br Aerospace | 526 | – | 13 | Unigate | 266 | – | 19 |
| Central Motor | 96 | – | 5 | | | | |
| Davies Newman | 99 | – | 10 | | | | |

Kyowa and Saitama aim to form top retail banking institution - the 19th-largest in the world

# Leading Japanese banks to merge

By Stefan Wagstyl in Tokyo

KYOWA BANK and Saitama Bank, two leading Japanese banks, yesterday announced plans for a merger that would create the eighth largest commercial bank in Japan in terms of deposits and the 19th largest bank in the world.

The move is the latest in a wave of consolidation in the Japanese banking industry as groups try to respond to the pressures of financial deregulation in Tokyo. The planned union, to be completed next April 1, follows the merger earlier this year of Mitsui Bank and Taiyo Kobe Bank, two other leading commercial banks. Scores of small banks, financial co-operatives and credit unions are also merging – with the encouragement of the authorities who want to see greater efficiency in the industry.

The Bank of Japan said the Kyowa-Saitama merger was a realistic response to the severe conditions facing banks. The pressures of deregulation have been compounded by a recent sharp rise in interest rates and this year's plunge in the Tokyo stock and bond markets, which have squeezed bank profits.

Tokyo-based Kyowa is the 10th largest city (commercial) Japanese bank in terms of deposits with Y11,900bn ($92.2bn) at the end of March. Saitama, with its headquarters in the Saitama prefecture adjoining Tokyo, is 11th, with Y11,800bn.

The merger of the two company's stock will be on a one-for-one basis. However, the new bank is to be called Kyowa Saitama Bank in Japanese – implying that Kyowa is the senior partner in the merger. Kyowa's head office in central Tokyo will be the combined group's headquarters. The English name will be Saitama Kyowa Bank.

Speaking at a press conference last night, Mr Kosoke Yokote, president of Kyowa, and Mr Takeo Masuno, his counterpart at Saitama, said their aim was to create Japan's "top retail bank", specialising in serving small and medium-sized businesses and individuals in the Tokyo region – where both banks are strong.

This is unlike the goal of the Mitsui-Taiyo Kobe merger, which aimed to create a multi-faceted rival to Japan's top banks, including Dai Ichi Kangyo Bank and Sumitomo Bank.

Kyowa and Saitama both received approaches from other top-rank banks wanting to win control of their Tokyo branch networks. Both rejected these advances in favour of a union of equals, sharing a focus on retail banking. Mr Yokote said in an age of financial liberalisation it was important to develop specialisations: "Our specialization is retail banking in the Tokyo region."

Kyowa has 147 of its 247 domestic branches in and around Tokyo, and Saitama 195 out of 204. Together they will have 342 in the city and its environs. The two presidents said branches would be merged but no decisions had yet been made.

As in the creation of Mitsui Taiyo Kobe, and of Dai Ichi Kangyo Bank – the product of a merger in 1971 – the union of the two banks' staffs will be slow and there will be no compulsory job losses. The combined staff will total 15,500, the fourth largest of any Japanese bank. The chairman will be Kyowa's Mr Yokote and the president Mr Masuno of Saitama.

The deal is expected to win approval from the Ministry of Finance and the Japanese Fair Trade Commission, which administers anti-monopoly laws, in the next few months.

# Profits drop 35% to £66m at Warburg

By David Lascelles, Banking Editor

TOUGH conditions in the financial markets are taking their toll on S.G. Warburg, one of the UK's leading investment banks.

The London-based group yesterday reported profits before tax of £66.3m ($130m) in the six months to September 30, a fall of 35 per cent on the same period last year. "There are high winds and choppy waters. We're still in it and our clients are still in it too," said Sir David Scholey, the chairman.

The downturn forced Warburg to forgo any increase in its dividend. This is the first time Warburg has done so since the group emerged in its present form from financial deregulation – known as Big Bang – in 1986. The payout is unchanged at 4.5p.

Warburg suffered worst in its investment banking business. Earnings in this part, which includes merchant banking and securities activities, were £48.6m after transfer to inner reserves. This represented a fall of 42 per cent on the previous year.

Warburg gave no details of how particular divisions had performed, but Sir David said: "All were down, but all were profitable." The fall-off in company takeover activity and depressed conditions in securities markets were mainly to blame. The group pulled out of commercial paper during the half because of poor profit prospects. But Warburg continued its expansion abroad, mainly in Europe, which it sees as the hub of its international operations.

Warburg's other big source of earnings – its 75 per cent stake in Mercury Asset Management (Mam) – held up better. That contribution amounted to £25.2m, down from £28.3m in last year's first half. Mam's funds under management fell eight per cent to £29.7bn. The company also left its dividend unchanged at 5p.

Sir David did not hold out the prospect of any early recovery in the group's fortunes. He saw no immediate resolution to the Gulf crisis which is the dominant factor in the markets, and he described the near-term economic outlook as "unfavourable". Warburg was rigorously examining its costs, he said, and was periodically reviewing its businesses. However, he believed that Warburg's consistent long-term strategy would see it through.

Harder times are taking their toll on salaries. Sir David said that average remuneration would be up by only single figures, and some people were taking a cut in salary to join the group.

Warburg took a further step towards integrating the securities and merchant banking operations yesterday by announcing a new joint management committee for the two divisions. This will consist of the divisional heads. Mr Peter Hardy, Mr Derek Higgs and Mr Hugh Stevenson were appointed managing directors of investment banking.

Lex, Page 18

Alan Harper

Pleased to see you, but... Gordon Roddick, creating a structure which can do without either himself or wife Anita

# Roddicks opt for a lighter touch on the Body

By John Thornhill in London

MR GORDON Roddick, chairman of Body Shop International, made a rare appearance in the City of London yesterday to present his retailing company's interim results, with which had the theme of "Keeping the Body in Shape".

The figures showed a trim 26 per cent rise in interim pre-tax profits and a 30 per cent growth in sales.

Mr Roddick, who runs the business with his wife and managing director, Anita, said he was particularly pleased with the growth in overseas retail sales which, for the first time, had outstripped those in the UK. He said The company had now become a "genuinely international business" trading in 37 countries – although no longer in Kuwait.

"The thing we now have to do is reduce the dependence of the business on Anita and Gordon. You can either create a structure where the business is unable to do without you because you hang on to all the bits, or you can create a structure where they are pleased to see you but they can do without you. That is our aim," Mr Roddick said.

At the time of its flotation on the Unlisted Securities market in 1984, some commentators suggested that Body Shop – which sells natural personal care products ranging from brazil nut hair conditioner to scented bath oils – would only appeal to the readers of the Guardian newspaper's woman's page.

But Mr Stuart Stuart Rose, director, said the company had benefited from the greening of the consumer consumers' growing awareness of green issues and had expanded its market share and customer base.

"I don't think there's necessarily the 'brown rice' connection anymore," he said.

Results, Page 25

# Olivetti sheds 13% of staff as European demand slumps

By Haig Simonian in Milan

OLIVETTI, the Italian computers and office equipment group, is planning to lay off about 7,000, or 12.7 per cent, of its 55,000 workers worldwide in response to the downturn in the computer business.

Details of the job losses, revealed yesterday by Mr Carlo Donat Cattin, the Italian minister of labour, will be disclosed today. Olivetti management and union representatives met in Milan last night.

About 4,000 of the lay-offs will be in Italy, with the remainder at Olivetti's plants abroad. However, the company may try to soften the blow domestically through special job schemes.

The redundancies follow a round of cuts at other leading European computer manufacturers, with heavy lay-offs at Philips, the Dutch electronics group, and 5,000 job losses in the next two years at Groupe Bull of France.

Although Olivetti's profits have fallen heavily, it has so far managed to remain in the black, unlike many of its European counterparts.

Pre-tax earnings in the first half of this year fell by 41 per cent to L60.9bn ($54.7m), and the outlook for the whole year is uncertain.

The latest round of redundancies would be by far the biggest in a continuing series of job losses at Olivetti plants.

The cuts are in response to the problems caused by ever-smaller and more powerful computers, and increasing product standardisation.

The company cut about 2,200 jobs in 1989, and is in the process of shedding a further 3,000 this year.

The latest cuts come in response to this year's sharp fall in European demand for computers and currency factors. Sales growth of personal computers in Europe has slumped from 24 per cent in the first quarter to 16 per cent in the second quarter and just 4.6 per cent in the three months to the end of September, according to industry sources.

Meanwhile, the lira has appreciated sharply against the yen and the dollar, while relative labour costs have soared.

# Bank of Ireland chief resigns

By David Lascelles, Banking Editor

THE chief executive of the Bank of Ireland, Mr Mark Hely Hutchinson, resigned last night after his bank suffered heavy losses in its two main overseas operations, the UK and the US.

The sudden announcement forced the bank to bring forward its interim results, which had been scheduled for tomorrow.

These showed that pre-tax profits plunged from IR£93.5m (£85.5m) in last year's first half to September 30, to only IR£15.8m this year. The main cause was a sharp increase in loan loss provisions from IR£16.6m to IR£81.2m.

This obliged the bank to forgo any increase in its interim dividend. The board warned last night that the full-year dividend was likely to be unchanged, though it expects better profits in the second half, and the balance sheet remains strong.

The Bank of Ireland, one of Ireland's top two banks, suffered its heaviest losses in the US, where its New Hampshire subsidiary, First NH Banks, lost IR£32m in the first six months of this year.

The bank, acquired only two years ago, has been badly affected by the collapse of the New England real estate market.

Bank of Ireland's business in the UK also plunged into the red, with a loss of IR£12m against a profit of IR£9.5m last year. Corporate and property loans gave rise to most problems.

In addition, the group was forced to make a IR£11.3m provision against anticipated losses on the sale of subsidiaries in the US and the UK that are being disposed of as part of the recovery effort.

Bank of Ireland has already taken steps to strengthen management in both markets.

The bank replaced the chief executive and senior staff of First NH Banks in July, and brought the UK operations under the direct control of the retail banking management in Dublin last month.

The bank's board said last night that it believed the vigorous recovery programmes would "bring about a return to profitability in those markets".

The bank declined to make any comment on Mr Hely Hutchinson's resignation, but said there would be a further statement today.

Mr Hely Hutchinson, a former managing director of Guinness Ireland, joined the bank in 1982 and became chief executive in 1983, where he initiated many of the bank's most important advances overseas.

Mr David Kennedy, the deputy governor, will take over as acting chief executive until a permanent replacement is found.

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# Bayer plans to restructure N American rubber unit

By Bernard Simon in Toronto

BAYER, the German chemicals group, is to form its North American rubber business into a new Toronto-based company following its C$1.2bn (US$1.03bn) acquisition last month of Polysar, one of the world's leading synthetic rubber producers.

Mr Hermann Strenger, chairman of Bayer's board of management, also said yesterday that the parent company's earnings have fallen off "considerably" since July. He said Bayer will report a 4 per cent drop in sales and a bigger decline in profits for the first nine months of 1990.

The new North American unit, Polysar Rubber, will oversee all the company's rubber business in the US and Canada. Polysar's plants in Strasbourg and Antwerp will be integrated into Bayer's European operations.

The Polysar purchase has more than trebled Bayer's synthetic rubber capacity to 760,000 tonnes a year, making it the world's second biggest producer after Enimont of Italy.

Mr Strenger acknowledged that Bayer paid a "relatively high price" for Polysar, but described the purchase as a "very good fit" with its existing businesses. The purchase was financed from internal liquidity and a US$800m loan.

Bayer has promised the Canadian government that it will spend C$120m on capital projects at Polysar's domestic facilities over the next three years.

● Federal Industries, based in Winnipeg, has reported a loss of C$3m for the first nine months, down from a profit of C$25.6m or C$1.09 a share a year earlier, on revenues of C$1.57bn against C$1.69bn.

Federal is Canada's biggest truck transport group, and last year bought W.H. Smith Canada, a national chain of bookshops, from its British parent, for C$54m.

Mr John Fraser, Federal president and chief executive, says the recession is biting deeply into earnings and the company must cut debt now standing at nearly C$500m.

The quarterly dividend is being halved to 5 cents a share.

# News Corp shares slide 12%

By Kevin Brown in Sydney

NEWS Corporation shares see-sawed on the Australian Stock Exchange (ASX) yesterday as rumours about the outcome of talks with the company's bankers swept the market.

The shares surged 46 per cent to A$8.50 on positive speculation in early trading, only to fall to A$5.90 in the afternoon as fears mounted of a failure to reach agreement.

The shares recovered slightly to close at A$5.92, down 12 per cent on the day, after analysts expressed confidence that the company could overcome its short-term debt problems.

The rumours were prompted by a meeting in Sydney between Mr Rupert Murdoch, News Corporation's US-based chief executive, and the company's Australian bankers, including Commonwealth Bank, Westpac, and National Australia Bank.

The meeting follows strong selling pressure on News Corporation after an increase in short-term debt to A$2.9bn (US$2.3bn) from A$508m. News Corporation is seeking agreement to re-finance most of the debt over a longer period.

The Australian banks are believed to have responded sympathetically to News Corporation's proposals, which were put last week to banks in New York and Los Angeles. Mr Murdoch left Sydney for London last night for talks with News Corporation's British banker.

News Corporation recently deferred a A$1b project to build a colour printing plant for its Australian newspapers, and is discussing redundancies with printing and clerical staff after the merger of its morning and afternoon newspapers in Melbourne and Sydney.

The group will also benefit from reduced losses in the UK following the merger of its Sky satellite television business with the rival British Satellite Broadcasting.

However, analysts say the agreement News Corporation is seeking with its bankers is likely to include the sale of some non-core assets, such as its commercial printing operations in Australia.

# Political squabbling threatens steel merger

By Lucy Kellaway in Brussels

THE LONG-AWAITED partial merger between Cockerill-Sambre, the Belgian steel company, and Arbed, its Luxembourg counterpart, is threatened by political squabbling from Belgium's regional governments.

Mr Norbert Von Kunitzki, head of Sidmar, Arbed's steel products subsidiary, was quoted in a Belgian newspaper yesterday as saying that negotiations were blocked, and that the two companies were looking at other options.

However, an Arbed spokesman yesterday denied that talks had been called off, but said that substantial difficulties remained to be overcome. Next week the two sides would present new merger plans to one another, he said.

Arbed said that most of the problems came from the regional authorities. Both the Walloon and the Flemish local governments have insisted on having a majority share in the new enterprise, which would be one of Europe's largest makers of flat steel products.

The merger was always seen as ambitious as it means bringing together the two bickering regions of Belgium. Sidmar's steel-making capacity is in Flanders, and Cockerill's in Wallonia. The original plan was that each side would have an equal share.

The matter is politically sensitive, especially in Wallonia, where there is overcapacity in steel making, and it is feared that the venture could lead to further job losses and plant closures.

# Hoechst squeezed by weak dollar

By Katharine Campbell in Frankfurt

HOECHST, the German chemical giant, yesterday reported a 22 per cent slump in earnings for the first nine months of 1990. The sharpest deterioration was in the third quarter, as the weakening dollar and soaring oil prices ate into profit margins.

Group pre-tax profits in the third quarter, at DM631m ($428.4m), lagged 37 per cent behind the figure for the same period in 1989, following a 19 per cent second-quarter decline.

The company, which last year derived some 23 per cent of group sales from the US, was hard hit by the weak dollar. This was in spite of a 5 per cent increase in volume sales worldwide in the third quarter, with demand in the US improving slightly.

For the nine months ended September, turnover by value declined 2.4 per cent to DM33.2bn, producing pre-tax profits of DM2.5bn, compared with DM3.1bn last year.

Hoechst is the first of the big three German chemical groups to report in the current round. All the results are expected to be gloomy.

The companies are suffering from sharply higher petrochemical prices, as well as the effects of the embattled dollar. BASF, where the second-quarter deterioration was most pronounced, reports next Monday, and Bayer a week later.

Mr Wolfgang Hilger, Hoechst's chief executive, indicated yesterday that fourth-quarter figures would not be as bad as the previous quarter, partly because the company hopes to be able to pass on a portion of the higher raw material prices to its customers.

He added that 1991 could be a better year than 1990 for the chemical industry generally, although the Gulf crisis, among other factors, made predictions hazardous.

Mr Kiran Bhojani, analyst at M. M. Warburg Bank in Hamburg, argues that "the extent of the dollar's decline has taken the companies by surprise and we are seeing how a weak US currency *can change* the entire competitive situation, even in areas formerly considered quite secure such as pharmaceuticals".

As well as suffering from the adverse effects of currency translation, Hoechst is also feeling the relative competitive advantage of US companies abroad. "US companies, facing weak demand at home, are selling more cheaply in Europe as well as in Latin America and Asia," said Mr Bhojani.

Margins were squeezed hard in the third quarter as sales prices were forced down while the Gulf crisis forced raw material costs up sharply. Chemicals, synthetics and fibres bore the brunt of the margins pressure.

# UPI staff studies pay ultimatum

By Raymond Snoddy

UNITED Press International, the US news agency, faces possible liquidation at midnight on Saturday unless journalists and other staff accept by Friday a 90-day pay cut of 35 per cent.

The cut, which is designed to give the agency breathing space while talks continue with a number of potential buyers, has already been accepted by management. Employees, who are members of the Wire Service Guild, are voting on the issue this week.

One member said yesterday he expected guild members to accept the 35 per cent cut "while they started looking for other jobs".

UPI spokesman Mr Milton Capps said the ultimatum was not a bluff. He said if there was no agreement on the pay cut, the company would go for immediate liquidation. This would mean that the assets of the 83-year-old news agency would be auctioned.

"If UPI loses so much as a day or week of service, it would do tremendous damage to its value to a potential buyer," said Mr Capps.

The agency, which runs a poor second to the Associated Press, has been in financial difficulty for some years and has had four recent ownership changes.

All but 3 per cent of the shares are owned by Infotechnology, which also owns 47 per cent of Financial News Network, the cable television company. Both are now being sold.

UPI has been told that there are a number of potential buyers, and that at least a couple are in detailed negotiations.

UPI provides a news service to more than 3,000 sites around the world, but declines to reveal how many clients it has, how big its staff is, or the size of its debt.

# SEB less optimistic on profits

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken (SEB), Sweden's largest commercial bank, has revised downwards its profits forecast for this year.

It blamed the revision on the impact of higher lending losses caused by the crisis among Sweden's finance companies, as well as recent adverse developments on the credit market.

SEB said that as negotiations were still going on with some finance companies and their owners, it was at present "not possible to state the exact size of the lending losses".

The bank cautioned that "any forecast for 1990 will therefore comprise a considerable factor of uncertainty".

SEB's executive committee said it had reached the conclusion that the group profit for this year would be about the same level as in 1989, when it totalled SKr4.5bn ($812m).

As recently as early October, SEB had been expecting profits for this year to grow by 13 per cent in line with the pace of profits expansion during the first eight months of 1990.

# BHF drops east Berlin bank deal

By Katharine Campbell

BERLINER Handels-und Frankfurter Bank, the German merchant bank, has unexpectedly dropped plans to acquire a majority stake in Deutsche Handelsbank in Berlin.

In its place, BfG Bank, the former trade union bank which recently made an offer for the east German trade bank, is taking up the 64 per cent stake discarded by BHF.

Deutsche Handelsbank, a subsidiary of the Staatsbank, was responsible for financing east German trade transacted in convertible currencies. It was one of the few eastern banking institutions still for sale, and hence an interesting option for western banks left out of the initial scramble to get a foothold in the underdeveloped east German financial market.

The circumstances behind BHF's pullout, and the reason why BfG should be prepared to go ahead, remain unclear. BHF yesterday said that it had found "circumstances which stood in the way of signing the contract".

For its part, BfG contended that it had examined the bank carefully and that its own accountants had "satisfactorily settled" the problems unearthed by BHF.

BfG denied that it might have trumped BHF's offer, which was not disclosed but thought to be around DM300m ($202.7m).

Deutsche Handelsbank has total assets of DM13.8bn. According to BHF's estimates, its loan book was worth DM7bn at the end of June. BHF had said that many of these assets would be worth considerably less as the restructuring of the east German economy took its toll.

BfG's plans for the institution, which employs 80 people, appear similar to those – now discarded – of BHF, namely expanding its corporate business in eastern Europe.

## Skis Rossignol sales decline 25%

SKIS Rossignol, the French group which leads the world ski equipment market, said sales for the second quarter of 1990 had fallen 25 per cent to FFr400m ($80m), Reuter reports from Paris.

The company said the result brought turnover for the first six months to FFr712m, down 17 per cent from FFr858m a year earlier.

## Repsol falls to Pta54bn

REPSOL, the state-controlled Spanish energy group partially privatised two years ago, reports a drop in third-quarter pre-tax profits to Pta53.9bn ($579m) from Pta66.2bn, writes Tom Burns in Madrid.

Extraordinary items related to redundancies of Pta15.1bn reduced the 1989 third-quarter net profit to Pta51.1bn. Taking this into account, net earnings for the third quarter have risen by 5 per cent.

However, Repsol said a strong July-September surge in business has allowed the operating profits for those months to climb by 16 per cent to Pta23.9bn against the same period in 1990.

The company said that, despite the current uncertainties, it hoped to provide a slightly increased dividend for 1990.

## Holderbank sees 18% net decline

SWISS cement maker Holderbank expects its 1990 group net profit to fall by around 18 per cent to SFr350m ($282m), Reuter reports.

The company said: "Because of difficult market conditions and a more competitive environment, the pressure on margins has increased. Therefore we have to correct our financial projections."

*All these securities having been sold, this announcement appears as a matter of record only.*

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## INTERNATIONAL COMPANIES AND FINANCE

# Japanese banks face up to competition

### Stefan Wagstyl reports on the merger agreement between Kyowa and Saitama

Mergers between top Japanese banks are so rare that even one is an indication of managers responding to great pressures. Two within one year amount to little short of a radical reconstruction of the industry.

The announcement that Kyowa Bank and Saitama Bank plan to merge came just seven months after Mitsui Bank and Taiyo Kobe Bank joined forces to form Japan's second largest bank.

The last time two such important mergers came in quick succession was nearly 20 years ago when the formation through merger of Dai Ichi Kangyo Bank in 1971 was followed in 1973 by the merger creating Taiyo Kobe Bank.

Kyowa and Saitama, ranked 10th and 11th among Japanese commercial banks in terms of deposits, aim to combine to become the eighth largest from April 1 next year.

They are being driven together by the increased force of competition released by the deregulation of Tokyo's financial markets over the past decade. This has been compounded by the realisation that the years of rapid growth Japanese banks enjoyed in the 1980s is being followed by a period of profound difficulties, including a fall in stock and bond prices, the beginning of a decline in property values and an urgent need to boost capital to meet international standards laid down by the Bank for International Settlements.

Kyowa's pre-tax profits fell 20 per cent in the year to March to Y62.8bn ($488m at current rates) and Saitama's were down 33 per cent to Y50.5bn. This year's declines are likely to be even greater.

Bankers in Tokyo believe the same pressures will force other banks to merge. Hard decisions which Japanese bankers once preferred to postpone are now having to be taken: discussing mergers was once a conversation game; now the talks are for real. "The Bank of Japan is fostering the idea that mergers are good," says Mr Stuart Matthews, analyst at BZW.

The big surprise about yesterday's announcement was that Kyowa and Saitama have chosen to merge with each other. Their greatest assets are identical — strong branch networks in Tokyo. Tokyo-based Kyowa has 147 of its 239 domestic branches in the city and its environs. Saitama, which has its headquarters just north of Tokyo, has 195 of its 204 branches there.

The most popular theory among Japanese bankers was that either Kyowa and Saitama would be a good match for a large bank without a well-developed Tokyo branch network. The Bank of Tokyo, a specialised foreign exchange bank, Osaka-based Sanwa Bank and Nagoya-based Tokai Bank were the names most commonly put forward.

In deciding to unite, Kyowa and Saitama have rejected the argument that only very large multi-national banks with a broad array of skills can succeed in Japanese banking after deregulation. Instead, they have opted for creating a bank which aims to be strong in retail banking in Tokyo, serving the region's small and medium-sized companies and individuals. Mr Takeo Masuno, president of Saitama Bank, said yesterday that the two banks had a similar interest in retail banking and would reinforce each other in the Tokyo area.

"They are planning to be the biggest little bank," said Mr Hiromi Tokuda, chairman of the board of councillors of Nomura Research Institute, an affiliate of Nomura Securities.

Nevertheless, the combined bank will be "little" only by Japanese standards. The combined deposits of Kyowa Bank, which totalled Y11,900bn last March, and of Saitama Bank, which stood at Y11,270bn, will put the new bank in 19th place among the top world's banks in terms of deposits.

The merger is a triumph for Kyowa, which was formed in 1945 from an amalgamation of nine savings banks. In 1985, well in advance of other Japanese banks, Kyowa decided to make retail banking its focus and became well-known for cutting unprofitable ties with large corporations.

Linking with Saitama, rather than being swallowed by a top-rank bank, is a logical culmination of this policy. Like Kyowa, Saitama is a relatively new institution — established in 1943 — with few ties to the large industrial groupings which surround older bankers such as Sumitomo and Fuji.

There are also important differences between the two banks, not least of which is the contrast between Kyowa's conservative management and Saitama's more aggressive approach, particularly towards property lending.

The two banks will not find it easy to meld, if past experience of Japanese bank mergers is any measure. With a combined total of 342 branches in Tokyo, the combined bank will have a network in the city to match even that of the newly-created Mitsui Taiyo Kobe Bank which has 346. This is almost certainly too many, given that DKB, Japan's biggest bank, has only 248. The combined bank will also be over-staffed — with 15,500 employees, the fourth largest for any Japanese bank, servicing the eighth largest deposit base.

It is likely that the bank will face the same constraints as Mitsui Taiyo Kobe or DKB, where older employees still regard themselves as belonging to one or other pre-merger bank. Like DKB, Saitama Kyowa Bank will have two personnel departments, one for each of the pre-merger banks.

## Earnings of Japanese watchmakers surge ahead

By Ian Rodger in Tokyo

JAPAN'S two top watchmakers, Citizen Watch and Seiko, have reported profits up sharply in the six months to September 30.

Pre-tax profits of Citizen jumped 58 per cent to Y10.8bn ($84m) on sales up 40 per cent to Y122.9bn while those of Seiko surged 48 per cent to Y2.6bn on sales of Y152.7bn, up 11.1 per cent.

Citizen said sales of watches and parts rose 21 per cent to Y62.3bn, reflecting strong demand from domestic and overseas customers. Sales of information equipment and parts doubled to Y29.4bn, due to booming sales of floppy disk drives and OEM notebook-size personal computers.

Net income was up 63.5 per cent to Y5.9bn or Y3.75 per share. Hattori Seiko, the trading house subsidiary, said watch and clock sales were strong in domestic and export markets. Sales of luxury watches and jewellery were buoyant due to the high purchasing power of young Japanese women. Net income jumped 30.8 per cent to Y1bn.

Seiko believes personal spending will remain strong in the second half and is forecasting full-year pre-tax profits of Y5bn, up 11 per cent. Citizen said trading conditions would be more difficult, but predicted that pre-tax profits would reach Y19.5bn, up 28.8 per cent.

## Toyota to build HQ in Brussels

TOYOTA Motor, the world's third largest car maker, is to build a European marketing and engineering headquarters in Brussels, involving an investment of about BFr5bn ($163m), Reuter reports from Brussels.

The Brussels regional government said Toyota bought 11 hectares of land for BFr1.4bn in a Brussels suburb on Monday. It will house Toyota Motor Europe Marketing & Engineering, the group's new subsidiary responsible for strengthening sales operations in the European Community.

## Competition cuts profits at KDD by 35%

By Ian Rodger

PRE-TAX profits of Kokusai Denshin Denwa (KDD), Japan's international telecommunications utility, plunged 35 per cent to Y12.4bn ($96m) in the six months to September 30.

Last October, two new international telecoms carriers opened for business, and since then, a fierce rate battle has raged among the three.

KDD was bound to lose some market share, but hoped that in a growing market this would not be too noticeable. In the event its sales in the six months tumbled 7.5 per cent to Y122.2bn. Net income was down 37 per cent to Y6bn.

KDD does not believe that life is going to get much easier in the second half. It is forecasting pre-tax profits for the full year of Y24bn, down 19 per cent from last year's level.

## Arab-Malaysian sharply up

By Lim Siong Hoon in Kuala Lumpur

ARAB-Malaysian, Malaysia's largest merchant bank, has reported sharp increases in mid-year turnover and profits. Its performance was boosted by strong credit demand, which pushed up interest rates to more than 7 per cent.

Turnover rose 60 per cent to M$289m ($106.7m) for the six months to September from M$181m a year earlier, while pre-tax profits jumped 65 per cent to M$56m from M$34m. Attributable profits advanced to almost M$30m, from M$18m, but the bank is again recommending no interim dividend.

Analysts have been forecasting double-digit growth in the bank's profits this year and next, aided by write-backs from loan-loss reserves.

Arab-Malaysia began a reorganisation this year, raising M$68m through a rights issue, which lifted its capital base by 17 per cent to M$195m. It now proposes to create a new holding company, divest a 10 per cent stake in its securities unit to the management and float 52m shares in Arab-Malaysian Finance, its finance company, raising nearly M$158m.

## Newmont to take over BHP Gold Mines

BROKEN Hill Proprietary, Australia's largest industrial group, yesterday accepted the takeover offer by Newmont Australia for BHP Gold Mines, Reuter reports from Sydney.

Broken Hill, which owned 54.9 per cent of BHP Gold's issued capital, said it would hold 23 per cent of the enlarged group if all shareholders accepted the all-share offer.

It said the merged group would be Australia's largest pure gold company and among the world's top 15 gold miners.

Newmont Australia, whose main assets are majority holdings in the Telfer and New Celebration gold mines in Western Australia, and is 24.4 per cent owned by Newmont Mining of the US, is offering one of its shares for every two in BHP Gold until the offer closes on November 26.

Newmont's latest price of A$0.92 values BHP Gold at A$0.46 a share or A$446.29m (US$346.8m) against the latest BHP Gold share price of A$0.45.

BHP's acceptance was the final condition of Newmont's bid. Newmont had already received Australian government approval and had been allowed to increased its issued capital to issue new shares.

## Tata results cheer Indian stock markets

By R.C. Murthy in Bombay

PROFITS OF Tata Iron and Steel, India's largest private sector company, rose strongly in the first half to September 1990, cheering the otherwise gloomy Indian stock markets hit by political uncertainties.

Gross profits jumped by 30 per cent to Rs1.78bn ($99m) on sales 8.5 per cent ahead at Rs10.22bn. After providing Rs675m for depreciation and Rs1.1bn for tax, net profits emerged at Rs760.3m compared with Rs664.9m for the same period last year.

Indian analysts say the benefits of a 10 per cent price increase in September for certain categories of steel, fixed under the country's steel control scheme, will be reflected in the second half.

A new power plant is expected to ease the company's energy shortage.

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Floating Rate Capital Notes due 1994
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Period 15th November, 1990 to 15th May, 1991 has been fixed at 8⅛% per annum.
The Coupon Amount in respect of U.S. $10,000 nominal of the Notes will be U.S. $408.51.
The Interest Payment Date will be 15th May, 1991.
Agent Bank
Samuel Montagu & Co. Limited

ECU 350,000,000
Kingdom of Belgium
Floating Rate Notes due 1999
Issued in two tranches of
ECU 200,000,000 (1st tranche)
ECU 150,000,000 (2nd tranche)
For the period from November 14, 1990 to February 14, 1991 the Notes will carry an interest rate of 10¼% per annum with an interest amount of ECU 2,562.54 per ECU 100,000 Note.
The relevant interest payment date will be February 14, 1991.
Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

CIVAS LIMITED
U.S.$100,000,000
Secured Floating Rate Notes due 1992
Interest Rate 8.25% p.a. Interest Period November 14, 1990 to May 14, 1991. Interest Payable per US$100,000 Note US$4,147.92.
November 14, 1990, London
By Citibank, N.A., (CSSI Dept.), Agent Bank

NOTICE TO HOLDERS OF
Bearer Warrants (the "Warrants") to subscribe for Shares of the Common Stock of
MATSUSHITA ELECTRIC WORKS, LTD.
(Matsushita Denko Kabushiki Kaisha)
In conjunction with an issue of
U.S. $300,000,000
3 per cent. Notes due 1992
Pursuant to Clauses 3(i) and 4 of the Instrument relating to the Warrants dated 30th September, 1987, notice is hereby given as follows:
1. On 19th October, 1990, the Board of Directors of Matsushita Electric Works, Ltd. resolved to make a free distribution of Shares of its Common Stock to its shareholders of record at 15:00 hours (Japan time) on Friday, 30th November, 1990 at the rate of 0.05 new Shares for each Share held.
2. Accordingly, the subscription price of the Warrants will be adjusted, effective as of 1st December, 1990. The subscription price in effect prior to such adjustment is Yen 2,147.60 per Share of its Common Stock and the adjusted subscription price is Yen 2,045.30 per Share of its Common Stock.
MATSUSHITA ELECTRIC WORKS, LTD.
By The Bank of Tokyo Trust Company as Instrumental Agent
Dated: 14th November, 1990

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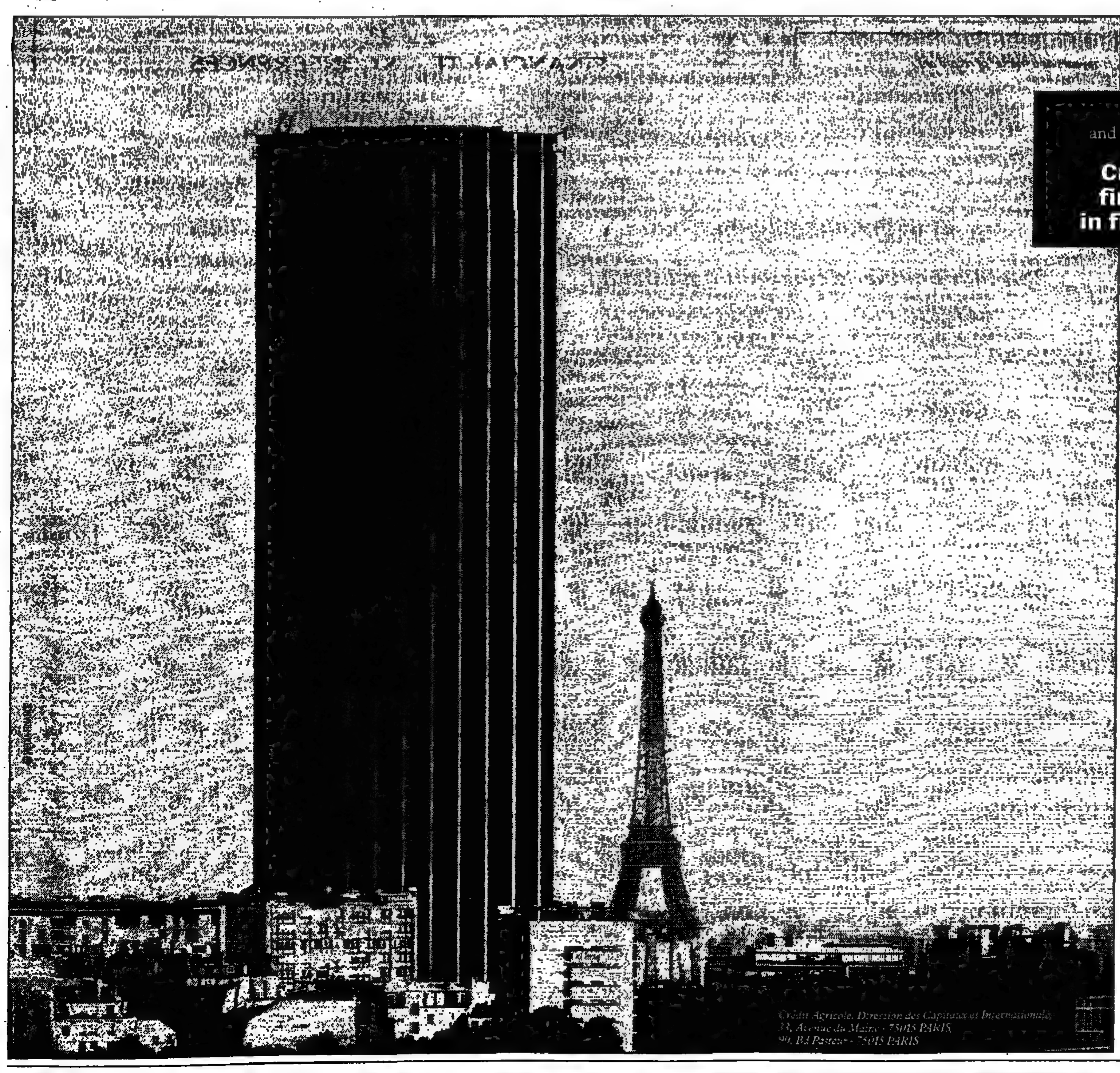

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**13% NOTES DUE 1990**
**(Redeemable at the option of the Issuer in U.S. Dollars)**

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the issuer will exercise its option to redeem the Notes on November 16, 1990 in U.S. Dollars pursuant to paragraph "Purchase and Redemption" (c) "Optional Redemption in U.S. Dollars" of the Terms and Conditions of the Notes.

Payment of interest and reimbursement of principal will be made on November 16, 1990 in accordance with paragraph "Purchase and Redemption" (c) "Optional Redemption in U.S. Dollars" and "Payments" of the Terms and Conditions of the Notes.

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**IMI BANK (INTERNATIONAL)**
**1,500,000 Warrants to purchase ordinary shares of Assicurazioni Generali SpA**

In relation to a "free of charge distribution of shares of Assicurazioni Generali SpA", notice is hereby given that as of November 14th, 1990 each warrant will be exercisable and therefore will grant the right, in accordance with condition 10 (B) to purchase 1,1 shares of Assicurazioni Generali SpA, at a fixed price of L. 38,795 per share, in accordance with Condition 8 (A) of the Offering Circular.

Morgan Guaranty Trust Company of New York, Brussels Office, as Warrant Agent

November 15, 1990

**IRELAND**

*The FT proposes to publish this survey on*
December 18 1990.
It will be of particular interest to the 27% of Managing Directors and Chief Executives thoughout Europe who are regular FT readers. If you want to reach this important audience, call Charles Blandford, Mac Publishing ,44 Leinster Road, Dublin 6. Tel 0001 966000 Fax 0001 964962 or Kirsty Saunders on 071 873 4823 or fax 071 873 3079.

**FT SURVEYS**

**ALBERT FISHER FINANCE N.V.**
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is hereby given that an extraordinary general meeting of ALBERT FISHER FINANCE N.V. (the "Company") will be held at 15 Pietermaai, Curaçao, at 10.00 am local time on November 20 1990.

The meeting is being called to approve a change to the Board of the Company and to conduct certain other routine business.

The agenda of the meeting is deposited for the shareholders for inspection at the office of the Company at 15 Pietermaai, Curaçao.

By order of
The Board of Managing Directors

**HEART LIMITED**
**US$ 30,000,000**
**Secured Floating Rate Notes due 1993**

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 13th November 1990 to 13th May 1991 the Notes will bear a rate of interest of 8.2925 pct.

The interest amount payable on 13th May 1991 will be US$ 4,169.28 per 100,000 note.

**DKB International Limited**
**Agent Bank**

# INTERNATIONAL COMPANIES AND FINANCE

## Roman to sell stake in Lawson Mardon

**By Bernard Simon in Toronto**

ROMAN Corp, the once-glamorous Canadian holding company which has fallen on hard times, has put its controlling interest in international packaging group Lawson Mardon up for sale to help ease the pressures from its resources and financial services businesses.

Roman gave no indication of the price it expects to receive for its 26 per cent equity stake (47 per cent voting interest) in Mardon, whose operations span a range of packaging materials, primarily in Britain and Canada. Mardon reported income of C$14.6m (US$12.5m) on sales of C$522m in the first six months this year.

Mr Collin Brown, analyst at Deacon BZW in Toronto, estimated yesterday that the company as a whole should fetch more than C$300m at a price as high as C$14 a share. But the share price rose by only 38 cents on the Toronto stock exchange yesterday morning to C$9, apparently on expectations Roman may not have much bargaining power in setting the price for its holding.

Mardon's interests include flexible packaging, plastic bottles, folding cartons, metal cans and labels. The company, whose main office is in London, also has a sizeable commercial printing operation.

Mrs Helen Roman-Barber, Roman's chairman, said proceeds from the Mardon sale will be used to repay debt and build a capital reserve to support the company's other investments, which include Denison Mines, an energy producer, and Standard Trustco, a trust and loan company.

Roman has suffered a series of setbacks in recent years. Besides a poor trading environment for several of its businesses, the death of its strong-willed founder Mr Stephen Roman in March 1988 has compounded its management problems.

Last week, Standard Trust revealed a special audit of its financial statements had uncovered C$50m of bad real estate loans, slashing the value of shareholders' equity from C$93.4m to C$37.9m.

## Airline vultures ready to swoop on Pan Am

### Nikki Tait examines Carl Icahn's proposal amid increasing turbulence in the industry

PAN Am was once the proud flagship for the US airline industry abroad. Today, the vultures are gathering.

Already, United Air Lines and American Airlines, which vie for top-ranking in the sector, have made clear they would like to gobble the juiciest part of the ailing airline – its main European routes, including those into London's Heathrow.

Now Trans World Airlines, headed by Mr Carl Icahn, the Texas corporate raider, has tossed in a proposal to buy the entire company if the United deal falls through.

That has been met with scepticism, and is dismissed by one analyst as "an extremely long shot". But, at the very least, it is seen as an attempt to keep TWA, itself highly leveraged, involved in any carve-up. "Mr Icahn is informing everyone that his hat is in the ring," said Mr Jon Clair, analyst with Salomon Brothers.

Essentially, the tussle has two elements. On the one hand, there is the question of what may happen to Pan Am itself. But equally interesting, and arguably more significant, is the battle for long-term places within the industry as the redistribution of assets becomes increasingly frenetic.

This shuffling is not a new trend, but its pace has accelerated as financially-weak airlines attempt to remedy the devasting impact of higher fuel prices through "fire" sales.

From Pan Am's viewpoint, the haggling is a further chapter in a sorry tale. Having become the US's first international airline in the late-1920s, it carried around one-fifth of the international traffic throughout the 1950s.

However, it always lacked capacity in the large domestic market, and only remedied the situation via the purchase of National Airlines in 1979.

The timing was not fortuitous; deregulation had just got under way, bringing new capacity and highly competitive conditions into the industry. Labour problems in the wake of the National merger followed, and over the next decade Pan Am made almost $3bn-worth of losses (ahead of asset sale proceeds). By the end of June this year, the carrier had debts of more than $1.1bn; its deficit in the first three quarters of 1990 has totalled $269m after tax.

Faced with this haemorrhage, Pan Am has been slowing selling assets to bring in much-needed cash. These have ranged from the commanding Pan Am building in central Manhattan sold in 1985 to the internal German service, bought by Lufthansa for $150m last month.

Recently, the airline has considered the merger option, too; indeed, as Mr Icahn's weekend letter to Pan Am made clear, talks were under way with TWA only last month. But, in the absence of any willing/suitable purchaser, the demand for cash has grown and more asset sales have been required. Hence the disposal of the European routes and the attempts to sell the east coast shuttle.

Carl Icahn: 'his hat is in the ring'

To many analysts, this smacks of an orderly dismemberment of the airline. But Pan Am maintains that, even after the latest round of sell-offs, it can build on remaining European services centred on Frankfurt, exploiting the growing traffic to eastern Europe, together with its Latin American routes. And some pundits are not unsympathetic; if Pan Am has a chance of a future, they argue, the deal to sell the Heathrow routes and other assets to United is probably the best bet. For a start, it employs a two-part structure, which could mean that Pan Am gets an eagerly-sought $110m cash injection within weeks.(United's further $290m payment would flow once regulatory approvals on the routes had been secured.)

Secondly, the marketing agreement with United would help the feed into Pan Am's Latin American routes. Not surprisingly, Pan Am is sticking to its guns and has said it will pursue this transaction, regardless of American and TWA approaches.

But the pressures on American, United and – in rather different fashion – TWA, should not be understated either. Many analysts believe a fundamental divide is emerging in the industry. In a few years' time, they suggest, there will be a few financially-strong players who will command the faster-growth international routes and who will be able to afford the new cost-efficient fleets to run them. On the other side, there will be some smaller domestic players. In between, the financial weaklings will fade from sight.

THE scramble by the top players – United, American and Delta – for routes is, therefore, intense. United has fared well from Pan Am's Far Eastern routes, acquired five years ago. American, in similar fashion, has picked up Eastern Air Lines's Latin American slots, and TWA's Chicago-London route – although the latter has been stalled by the Washington authorities for many months. Now it is at least possible that United could steal a march into Heathrow itself. American, therefore, has everything to gain from making a fuss.

What, then, of Mr Icahn? Unlike American, TWA ranks among the industry's financially-wounded, with heavy debts and the oldest fleet. So, the general feeling is that a number of factors are at work. On the one hand, there is a case for saying that there is a deal to be done, and that for $150m in cash (and a further $300m in preferred stock/notes), Mr Icahn is unlikely to lose.

He would clearly sell on duplicate routes – which, with American happy to pay $500m-plus for the European slots, might bring in almost double that amount. At the same time, Mr Icahn clearly envisages buying Eastern's Atlanta hub and Miami overhaul base. "From an operating point of view, that combination would make some sense," comments Mr Ray Neidl at Dillon Read. The drawback is that the combined group would remain highly leveraged, with debt estimated at about $4bn.

Finally, the point is made that United could be a far more formidable competitor to TWA than Pan Am if it ever gains access to Heathrow. Attack may also be a form of defence.

## Lockheed shares jump on NL move

**By Nikki Tait in New York**

SHARES in Lockheed jumped $3 to $32¾ yesterday morning following news that NL Industries, the Houston-based speciality chemical manufacturer, controlled by Dallas investor Mr Harold Simmons, had offered to buy out all other shareholders in the US aerospace group for $40 a share in cash.

The offer would cost NL Industries around $1.6bn. NL owns 19.8 per cent of Lockheed but is barred from buying more stock by Lockheed's anti-takeover "poison pill" provisions. Mr Simmons has fought a long war of attrition against Lockheed, losing a proxy fight to the company last spring.

NL said, if the Lockheed board was co-operative, it believed funding for the deal could be secured. This would consist essentially of bank financing, a scarce commodity in the US mergers and acquisitions market at present. NL made clear that no such funding is currently in place.

News of NL Industries' proposal came late on Monday's Veterans' Day holiday and Lockheed's initial response comprised a holding statement. It confirmed that an "unsolicited expression of interest" had been received, asking it to work with NL Industries to structure a transaction which would give all shareholders other than NL $40 a share in cash.

Although the west coast-based aerospace group is understood to be studying the situation, no additional statement was issued yesterday. Asked about the possibility of meeting either Mr Simmons or his advisers, Lockheed said that was "one of the options".

In a letter to Lockheed, NL's chief executive, Mr J. Landis Martin, said that NL and its affiliated companies have "$500m of Lockheed stock [valued at $40 a share] and substantial additional availability of cash and other assets that we are willing to dedicate to this effort".

## J C Penney down sharply

**By Karen Zagor in New York**

J.C. PENNEY, the fourth biggest US retailer, yesterday turned in sharply lower third quarter net income on marginally lower sales with declining income from the company's stores and catalogue businesses more than off-setting gains from Penney's insurance, Thrift Drug and bank operations.

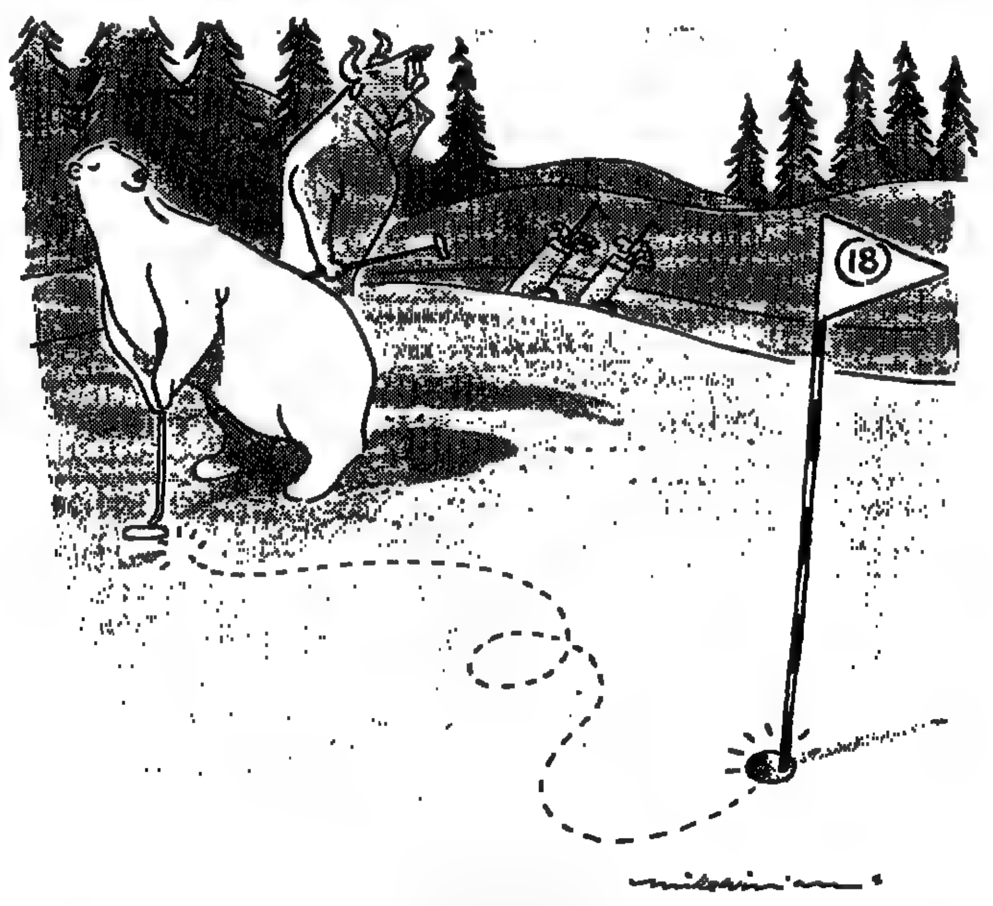
For the three months to October 27, Penney's net income plunged 35.8 per cent to $134m or $1.07 a primary share from $209m or $1.65 a year ago, while sales slipped to $4.25bn from $4.3bn.

In the latest quarter, Penney's gross margin as a percentage of retail sales fell to 34.2 per cent from 35.7 per cent. Increased promotions at Penney's stores contributed to the decline.

For the first nine months, Penney's net income fell 14.6 per cent to $371m or $2.91 from $435m or $3.36 a year ago on revenues which increased to $11.88bn from $11.54bn.

● Lower consumer spending cut into the earnings of The Limited, which turned in flat third-quarter net income of $84.9m or 23 cents on a 12.4 per cent increase in net sales to $1.25bn.

In the first nine months, net income grew to $226.3m from $193.8m while earnings per share advanced to 62 cents from 54 cents a year earlier.

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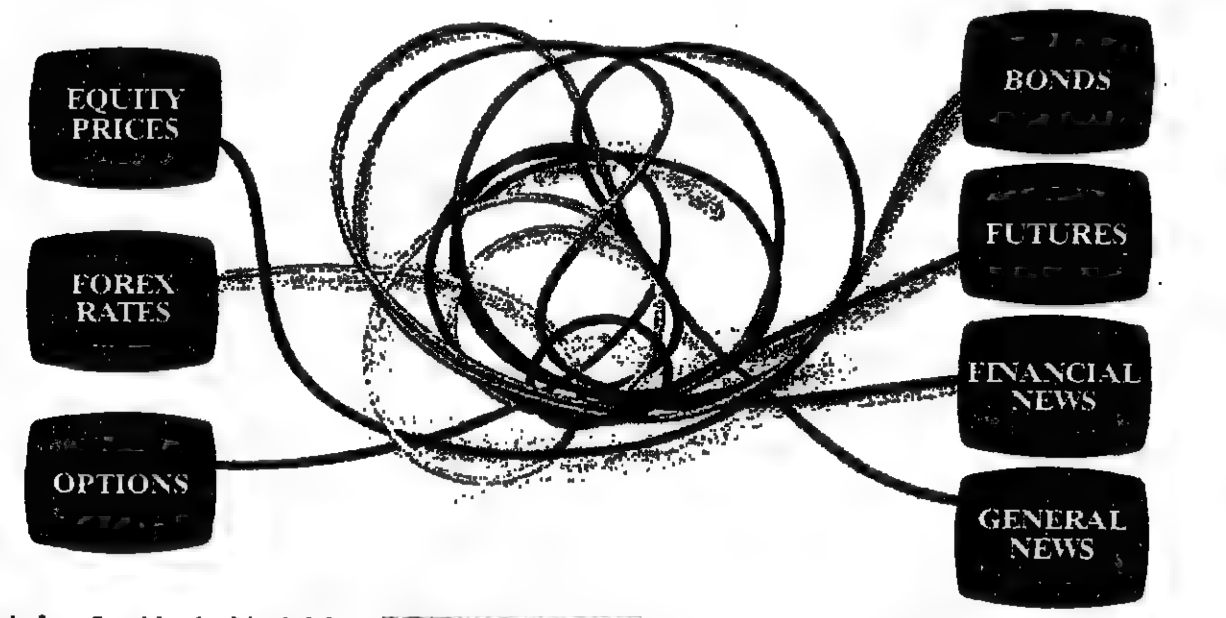


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## INTERNATIONAL CAPITAL MARKETS

# Early rally peters out over Tory leadership worries

By Stephen Fidler and Tracy Corrigan in London and Karen Zagor in New York

A RALLY in the British government bond market, based partly on weak industrial production figures, petered out in the afternoon as worries about the leadership of the British government reasserted themselves.

However, dealers reported genuine institutional buying over the last two days, based on the confirmation of UK economic weakness.

One benchmark government bond – the 11¾ per cent of 2003-7 – closed the day yielding 11.41 per cent, compared with about 11.42 per cent at the previous close.

More positive interpretations of prospects for real interest rates in the UK appear to have been behind a sharp jump in index-linked issues – particularly at the long-end of the market. The index linked issue maturing in 2024 jumped an unusually sharp 1⅛ point to 224⅝.

■ IN GERMANY, there was a similar picture, though for differing reasons. A continuation of Monday's largely technical rally in the morning was reversed by the close, with the key bund futures contract on the London International Financial Futures Exchange closing at 82.08, against Monday's 82.07, and it weakened further after hours to 82.04.

Reports suggesting larger borrowing by the Federal government next year – of up to DM150bn, even after some DM30bn-35bn in spending cuts – depressed the market. So did the prospect of a nudge upwards in money market rates by the Bundesbank today.

The new 9 per cent Bund closed at 100.08 to yield 8.983 per cent, up fractionally on the day.

■ US TREASURY bonds moved broadly higher yesterday morning as signs of further deterioration in the US manufacturing sector added to the bond market's bullishness.

Trading is expected to remain fairly quiet until the Federal Reserve sends a sign of easing.

Longer-dated maturities posted strong gains yesterday morning following the release of US industrial production figures for October, which fell 0.8 per cent, further than the 0.5 per cent the market had expected. The market now expects the Fed to loosen monetary policy before the weekend.

At mid-session, the Treasury's bellwether 30-year bond rose ⅝ at 102⅛, yielding 8.55 per cent after adding about 1 point shortly after the industrial production data hit the market. The gains were less steep at the short-end of the yield curve, where the two-year note was only ⅛ higher.

The Federal Reserve refrained from operating in the open market and Fed funds, the rate at which banks lend to each other, traded at 7¾ per cent. The market expects the Fed to cut its target rate for the Fed funds to 7½ per cent from the current perceived level of 7¾ per cent.

■ THE FRENCH government bond market ended generally firmer, although the strength was concentrated at the long end of the market, causing the yield curve to flatten, dealers said.

The 10-year contract on the Matif futures exchange in Paris ended up 32 basis points at 98.38.

But short interest rates came under pressure amid speculation that the Bundesbank could tighten German rates again soon, testing the strength of the franc.

The strong performance of a FFr3bn 8-year Eurobond issued by the Kingdom of Spain prompted activity at that area of the yield curve, as underwriters covered short positions they had taken.

### GOVERNMENT BONDS

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 103-10 | -01/32 | 11.44 | 11.48 | 11.75 |
| | | 9.000 | 03/00 | 88-31 | +02/32 | 11.29 | 11.28 | 11.38 |
| | | 9.000 | 10/08 | 84-22 | +02/32 | 10.95 | 10.93 | 10.98 |
| US TREASURY * | | 8.500 | 11/00 | 100-21 | +04/32 | 8.40 | 8.49 | 8.58 |
| | | 8.750 | 08/20 | 102-07 | +19/32 | 8.54 | 8.61 | 9.02 |
| JAPAN | No 119 | 4.600 | 6/99 | 84.5089 | +0.025 | 7.81 | 7.74 | 8.07 |
| | No 129 | 6.400 | 03/00 | 94.1084 | +0.311 | 7.47 | 7.44 | 7.75 |
| GERMANY | | 9.000 | 10/00 | 100.1000 | +0.300 | 8.98 | 9.02 | 9.01 |
| FRANCE | BTAN | 9.000 | 11/95 | 95.2686 | -0.072 | 10.25 | 10.19 | 10.28 |
| | OAT | 8.500 | 03/00 | 89.5400 | +0.220 | 10.27 | 10.29 | 10.44 |
| CANADA * | | 10.500 | 03/01 | 99.4500 | -0.100 | 10.58 | 10.80 | 11.39 |
| NETHERLANDS | | 9.250 | 11/00 | 100.4700 | +0.010 | 9.17 | 9.18 | 9.24 |
| AUSTRALIA | | 13.000 | 07/00 | 101.9316 | +0.086 | 12.64 | 13.15 | 13.49 |

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

# BIS issues warning of Gulf crisis consequence

By Stephen Fidler, Euromarkets Correspondent

THE crisis in the Gulf could have severe repercussions on the world economy and the stability of the international financial system, the Bank for International Settlements says today.

In its quarterly review, International Banking and Financial Market Developments, the central banks' bank warns about the indirect economic and financial consequences of the Gulf crisis – its contribution to a weakening world economy and increased nervousness among international banks about the risks of lending.

"This danger of cumulative interaction between a worsening general economic environment and the banks' ability to lend is likely to constitute a more serious threat to the stability of the international financial system than the loss of business and conceivable problems which a limited number of banks might suffer as a result of the Gulf crisis," the Basle-based institution says.

The assessment follows last month's speech by Mr Alexandre Lamfalussy, the BIS general manager, in which he spoke of the risk of an "international credit crunch" and the danger posed by a combination of the fragility of financial institutions and high long-term interest rates brought about by a worldwide shortage of savings.

The BIS review underlined that "falling asset prices and a more difficult cyclical environment may impair the health of banks' domestic portfolios".

"The heightened domestic and international lending risks and increased provisioning requirements in a climate where it becomes more and more difficult to raise new risk capital, will reduce banks' ability to respond flexibly to borrowing needs," it concludes.

Its conclusion that the direct impact of the crisis on banks is likely to be modest is partly based on its figures showing that among the OPEC countries of the Middle East, only Iraq has a debt burden which exceeds its deposits in banks.

At the end of 1989, Iraq's combined bank and guaranteed trade-related debt to banks totalled $13.7bn, but banks were only exposed to the $6.4bn which did not have official backing. Since most of these credits were extended before 1986, they would probably carry significant provisions and were partly offset by Iraqi deposits in international banks of $3bn.

The statistical appendix to the report gives no evidence that Iraq had moved by the end of June to protect its deposits prior to the August invasion of Kuwait. Iraqi deposits in banks reporting to the BIS fell by $57m, after exchange rate adjustments, in the quarter to end-June to $3.32bn. The figure at the end of last year was $3.04bn.

# Indonesian group drops Rp50bn issue

PT Astra International, Indonesia's second largest business group, has postponed a planned $100m convertible bond because of poor market conditions, Reuter reports from Jakarta.

"If the international market improves and the stock market, local and international, rises, then we might do it," the company said.

Astra, whose interests range from car production to agribusiness, has said it wanted to be the first Indonesian company to issue a convertible bond, but only if market conditions are right. The bond would be listed in Luxembourg.

Astra said it was still negotiating the issue of a local convertible bond for about Rp50bn.

It is still not clear whether such an issue, which would be the first on the Jakarta stock market, should be classified as a security or a bond.

"There are a lot of regulations which need to be clarified. We won't do anything this year," Astra said.

Astra must apply for the issue by the end of this year to avoid waiting for a new company audit, but cannot offer it until next March.

# Ciba-Geigy sets up ADR programme

CIBA-Geigy, the Swiss chemical group, has received clearance from the US Securities and Exchange Commission (SEC) to set up a sponsored American depository receipt (ADR) programme for its registered shares, AP-DJ reports from Basle.

The programme, activated in New York on Tuesday, is structured so that 50 ADRs represent one registered share with a par value of SFr100. Trading will be over the counter via the "pink sheets".

Through an arrangement with Morgan Guaranty Trust, the depository bank, Ciba-Geigy shares can be converted into ADRs and vice-versa through the Euroclear operations centre in Brussels and through Cedel in Luxembourg, the company said.

"The ADRs make Ciba-Geigy registered shares more accessible to a wide range of investors in the US," the company said, and should enhance the company's presence in the international capital markets.

Last May, the company opened its registered shares to foreign ownership. Previously, they had been restricted to Swiss investors. The company's shares are listed on the Swiss exchanges.

# GE Capital to cut staff by 100

GE Capital, part of General Electric of the US, is to lay off 100 people from its corporate finance group due to an expected slowdown in activity in the leveraged buy-out business, and will also close some regional offices, AP-DJ reports.

### FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on November 13

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 100[illegible] | 100[illegible] | +[illegible] | 8.65 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 102 | 102[illegible] | +[illegible] | 8.85 |
| AUSTRIA 8 1/2 00 | 400 | 95[illegible] | 95[illegible] | +[illegible] | 9.26 |
| BANK OF TOKYO 8 3/8 96 | 100 | 96[illegible] | 96[illegible] | | 9.30 |
| BELGIUM 9 1/8 92 | 400 | 101[illegible] | 101[illegible] | -[illegible] | 8.41 |
| BFCE 7 3/4 97 | 150 | 94[illegible] | 94[illegible] | +[illegible] | 8.99 |
| BNP 8 5/8 94 | 300 | 99[illegible] | 99[illegible] | | 8.88 |
| BP CAPITAL 9 5/8 95 | 150 | 101[illegible] | 102[illegible] | | 8.68 |
| CANADA 9 96 | 1000 | 101[illegible] | 102 | +[illegible] | 8.59 |
| CARCO 9 1/4 96 | 650 | 97[illegible] | 98[illegible] | -[illegible] | 9.85 |
| CCCE 9 1/4 95 | 300 | 102 | 102[illegible] | | 8.65 |
| COUNCIL EUROPE 8 96 | 100 | 96[illegible] | 96[illegible] | +[illegible] | 8.82 |
| CREDIT FONCIER 9 1/2 99 | 300 | 101[illegible] | 102 | +[illegible] | 9.20 |
| DENMARK 0 98 | 250 | 50[illegible] | 50[illegible] | -[illegible] | 9.35 |
| DENMARK 8 1/4 94 | 150 | 98[illegible] | 98[illegible] | +[illegible] | 8.72 |
| ECSC 8 1/4 96 | 193 | 96[illegible] | 97[illegible] | +[illegible] | 8.94 |
| EEC 7 1/4 93 | 250 | 97[illegible] | 98[illegible] | | 8.38 |
| EIB 7 3/4 96 | 250 | 95[illegible] | 95[illegible] | +[illegible] | 8.81 |
| EIB 10 97 | 250 | 104[illegible] | 104[illegible] | | 9.02 |
| ELEC DE FRANCE 9 98 | 200 | 100[illegible] | 100[illegible] | +[illegible] | 8.91 |
| EUROFIMA 9 1/4 96 | 100 | 101[illegible] | 101[illegible] | +[illegible] | 8.95 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 101[illegible] | 102[illegible] | +[illegible] | 9.13 |
| FINLAND 7 7/8 97 | 200 | 93[illegible] | 94[illegible] | +[illegible] | 9.23 |
| FINNISH EXPORT 9 3/8 95 | 200 | 101[illegible] | 102[illegible] | -[illegible] | 8.92 |
| FORD MOTOR CREDIT 9 1/2 93 | 300 | 100[illegible] | 101[illegible] | +[illegible] | 9.19 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 100[illegible] | 101[illegible] | -[illegible] | 9.20 |
| GMAC 9 1/8 96 | 200 | 97[illegible] | 98[illegible] | +[illegible] | 9.63 |
| HALIFAX 9 1/2 93 | 200 | 101[illegible] | 102[illegible] | +[illegible] | 8.79 |
| IBM WORLD TRADE 7 5/8 93 | 150 | 96[illegible] | 97[illegible] | +[illegible] | 8.90 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 93 | 93[illegible] | +[illegible] | 9.35 |
| INTER AMER DEV 7 5/8 96 | 200 | 94 | 94[illegible] | +[illegible] | 8.90 |
| ITALY 8 1/2 94 | 1500 | 99[illegible] | 100 | | 8.57 |
| JAPAN DEV BK 8 94 | 150 | 98[illegible] | 98[illegible] | | 8.61 |
| KANSAI ELEC PWR 10 96 | 350 | 103 | 103[illegible] | +[illegible] | 9.24 |
| LTCB 8 5/8 93 | 150 | 99[illegible] | 100 | +[illegible] | 8.83 |
| NEW ZEALAND 8 93 | 100 | 98[illegible] | 98[illegible] | | 8.69 |
| NIPPON CRED BK 9 3/4 93 | 150 | 102 | 102[illegible] | | 8.95 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | 101[illegible] | 102[illegible] | +[illegible] | 8.84 |
| NORDIC INV BANK 9 93 | 200 | 101[illegible] | 101[illegible] | | 8.47 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 107[illegible] | 108[illegible] | | 8.83 |
| OSTER KONTROLLBANK 8 1/8 95 | 200 | 99[illegible] | 99[illegible] | | 8.33 |
| PETRO-CANADA 7 1/4 96 | 200 | 92[illegible] | 93[illegible] | +[illegible] | 8.96 |
| PRUDENTIAL RLTY SECS 0 99 | 365.216 | 46[illegible] | 47 | +[illegible] | 9.82 |
| QUEBEC HYDRO 9 3/4 98 | 150 | 101[illegible] | 102[illegible] | +[illegible] | 9.44 |
| QUEBEC PROV 9 98 | 200 | 98 | 98[illegible] | +[illegible] | 9.37 |
| SAINSBURY 9 1/8 96 | 150 | 99[illegible] | 100[illegible] | +[illegible] | 9.17 |
| SAS 10 99 | 200 | 99[illegible] | 101 | -[illegible] | 10.03 |
| SBAB 9 1/2 95 | 500 | 102[illegible] | 102[illegible] | +[illegible] | 8.85 |
| STATE BK STH AUST 9 1/4 93 | 100 | 100[illegible] | 101[illegible] | -[illegible] | 8.83 |
| SUMITOMO BK CAP MKT 9 3/8 93 | 150 | 101[illegible] | 101[illegible] | | 8.93 |
| SWEDEN 8 1/8 94 | 150 | 98 | 99 | +[illegible] | 8.76 |
| SWEDISH EXPORT 9 5/8 93 | 100 | 102[illegible] | 102[illegible] | | 8.42 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | 600 | 91[illegible] | 92[illegible] | | 10.11 |
| KREDIETCORP 7 93 LFr | 1000 | 92[illegible] | 93[illegible] | | 10.14 |
| WORLD BANK 8 96 LFr | 1000 | 91[illegible] | 92[illegible] | | 10.02 |
| AMRO BANK 6 1/4 92 Fl | 150 | 96[illegible] | 96[illegible] | -[illegible] | 9.78 |
| RABOBANK 5 3/4 93 Fl | 150 | 92[illegible] | 93 | -[illegible] | 9.64 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 97[illegible] | 98[illegible] | | 11.38 |
| BCE INC 9 5/8 93 C$ | 300 | 95[illegible] | 96[illegible] | | 11.71 |
| BELL CANADA 10 5/8 99 C$ | 150 | 94 | 94[illegible] | | 11.74 |
| BRITISH COLUMBIA 9 1/4 93 C$ | 150 | 95[illegible] | 96 | | 11.93 |
| EIB 10 1/8 98 C$ | 130 | 94[illegible] | 95 | | 11.24 |
| FORD CREDIT CANADA 10 94 C$ | 100 | 93[illegible] | 94[illegible] | +[illegible] | 12.14 |
| GENERAL ELECT CAP 10 1/4 93 C$ | 175 | 97[illegible] | 97[illegible] | +[illegible] | 11.45 |
| MONTREAL TRUSTCO 8 1/2 92 C$ | 100 | 94[illegible] | 95[illegible] | -[illegible] | 12.81 |
| ONTARIO HYDRO 10 7/8 99 C$ | 500 | 96[illegible] | 96[illegible] | -[illegible] | 11.60 |
| QUEBEC PROV 10 1/2 98 C$ | 200 | 93[illegible] | 93[illegible] | +[illegible] | 11.87 |
| ROYAL TRUSTCO 10 1/4 93 C$ | 100 | 96[illegible] | 96[illegible] | +[illegible] | 12.04 |
| SWEDEN 9 3/4 93 C$ | 250 | 96[illegible] | 97[illegible] | +[illegible] | 11.20 |
| AUSTRIA 7 3/8 93 Ecu | 125 | 93[illegible] | 94[illegible] | +[illegible] | 10.63 |
| CNT 7 3/8 93 Ecu | 250 | 91[illegible] | 92[illegible] | -[illegible] | 11.13 |
| CREDIT LYONNAIS 9 96 Ecu | 125 | 90[illegible] | 91 | -[illegible] | 11.39 |
| DENMARK 7 5/8 96 Ecu | 250 | 88[illegible] | 89[illegible] | +[illegible] | 10.58 |
| EEC 7 5/8 94 Ecu | 200 | 93 | 93[illegible] | +[illegible] | 10.21 |
| EIB 10 97 Ecu | 1125 | 98[illegible] | 98[illegible] | | 10.29 |
| ITALY 10 3/4 00 Ecu | 1000 | 101[illegible] | 101[illegible] | +[illegible] | 10.45 |
| SWEDEN 7 1/2 93 Ecu | 250 | 91[illegible] | 92[illegible] | -[illegible] | 10.92 |
| BMW FINANCE 14 1/2 92 A$ | 100 | 101[illegible] | 102[illegible] | +[illegible] | 12.82 |
| COUNCIL EUROPE 13 93 A$ | 50 | 100[illegible] | 101[illegible] | +[illegible] | 12.52 |
| EKSPORTFINANS 12 3/8 95 A$ | 75 | 100[illegible] | 101[illegible] | +[illegible] | 12.10 |
| FORD CRED AUST 13 93 A$ | 50 | 99[illegible] | 100 | +[illegible] | 13.17 |
| ICI 15 1/2 92 A$ | 100 | 102[illegible] | 103[illegible] | +[illegible] | 13.33 |
| MCDONALDS CANADA 15 95 A$ | 100 | 105[illegible] | 105[illegible] | +[illegible] | 13.38 |
| NAT AUSTRALIA BANK 14 3/4 94 A$ | 150 | 104[illegible] | 104[illegible] | +[illegible] | 13.05 |
| STATE BK NSW 14 1/4 99 A$ | 100 | 105[illegible] | 106[illegible] | +[illegible] | 13.10 |
| VOLKSWAGEN INTL 15 94 A$ | 100 | 104[illegible] | 105[illegible] | +[illegible] | 13.07 |
| ABBEY NATL TREAS 13 3/8 95 £ | 100 | 102[illegible] | 103[illegible] | +[illegible] | 12.42 |
| BARCLAYS JERSEY 9 1/2 99 £ | 250 | 94[illegible] | 94[illegible] | +[illegible] | 12.22 |
| BRITISH GAS 12 3/4 95 £ | 150 | 102[illegible] | 102[illegible] | | 11.92 |
| DEUTSCHE BK FIN 11 94 £ | 225 | 97 | 97[illegible] | +[illegible] | 12.15 |
| EIB 10 97 £ | 300 | 90[illegible] | 91[illegible] | | 12.15 |
| FORD CREDIT FUNDING 9 5/8 93 £ | 50 | 93[illegible] | 93[illegible] | -[illegible] | 13.05 |
| INTER AMER DEV 11 3/8 95 £ | 75 | 98 | 98[illegible] | -[illegible] | 11.92 |
| ITALY 10 1/2 14 £ | 400 | 85[illegible] | 86 | +[illegible] | 12.38 |
| LAND SECS 9 1/2 07 £ | 200 | 73[illegible] | 73[illegible] | +[illegible] | 13.58 |
| LEEDS PERMANENT 9 1/4 93 £ | 50 | 93[illegible] | 93[illegible] | | 12.51 |
| NORWAY 10 1/2 94 £ | 200 | 95[illegible] | 96[illegible] | -[illegible] | 12.11 |
| ROLLS-ROYCE 9 5/8 93 £ | 150 | 93[illegible] | 93[illegible] | | 12.74 |
| SAINSBURY 10 7/8 93 £ | 100 | 96[illegible] | 97[illegible] | -[illegible] | 12.58 |
| SKANDINAVISKA ENSK 13 1/8 95 £ | 100 | 102 | 102[illegible] | +[illegible] | 12.44 |
| WORLD BANK 11 1/4 95 £ | 100 | 98[illegible] | 98[illegible] | +[illegible] | 11.76 |
| ABBEY NATIONAL 0 96 NZ$ | 100 | 45[illegible] | 47[illegible] | -[illegible] | 14.41 |
| TELECOM NZ O/S FIN 13 1/8 93 NZ$ | 75 | 98[illegible] | 100[illegible] | -[illegible] | 13.75 |

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

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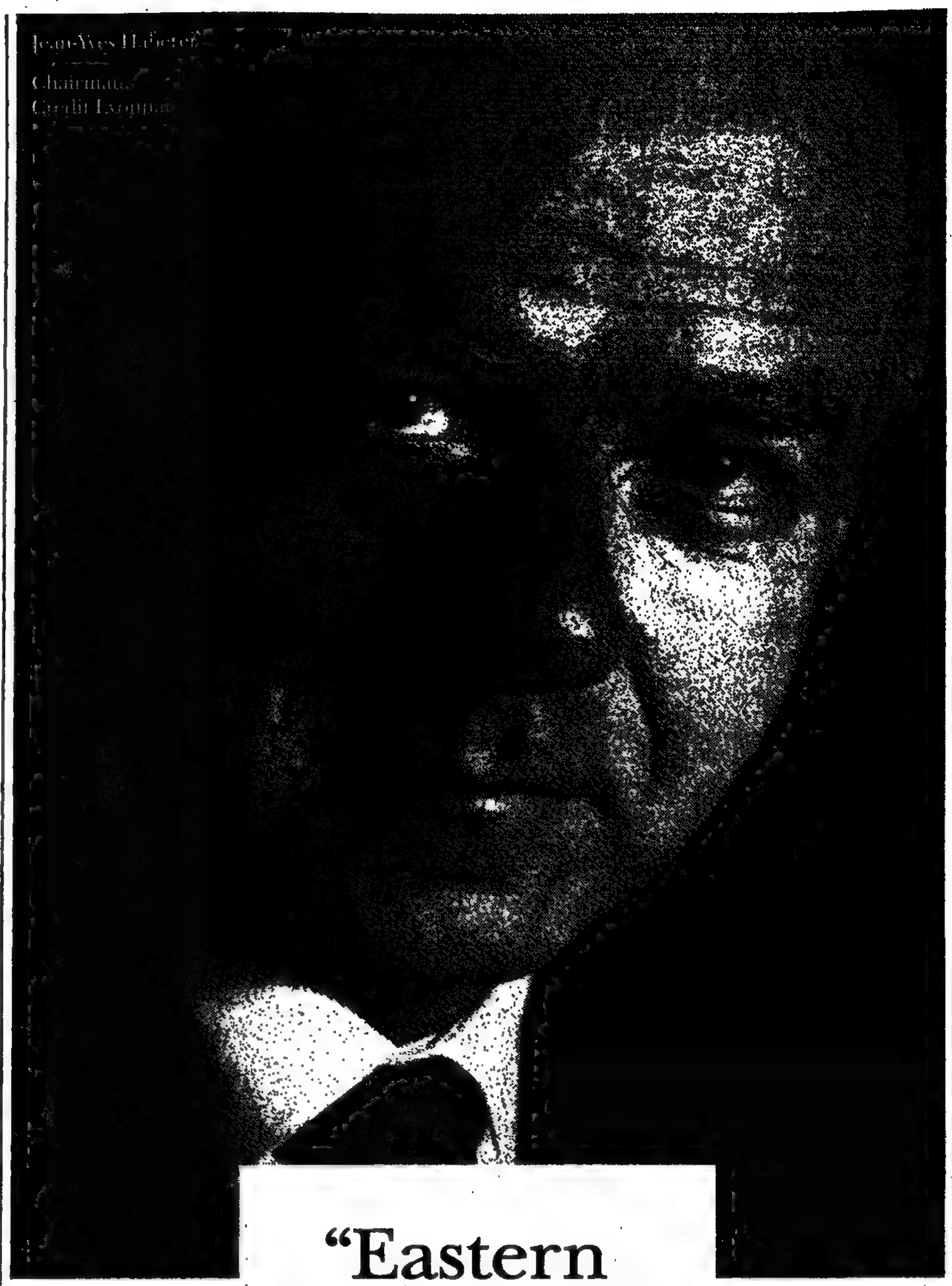

"Eastern Germany is a crucial link between Eastern and Western Europe."

Its history has endowed Eastern Germany with a unique position in the emerging Europe. Now anchored in the free market system of the West, Eastern Germans also have a thorough acquaintance with the Eastern European economic system and business practices. An investment in Eastern Germany can thus be used both to expand in Europe's newest growth market, and as a base for business with the East.

Let's not miss this chance!

The European Initiative for Eastern Germany has been established in order to encourage European companies to invest in the former territory of the German Democratic Republic. The guiding principle of this initiative is that the economic development of the region is not merely a German task but rather a matter of European concern.

THE EUROPEAN INITIATIVE FOR EASTERN GERMANY

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New Concept GmbH

## INTERNATIONAL CAPITAL MARKETS

# Good demand for Spain's debut FFr3bn offering

By Tracy Corrigan

THE Kingdom of Spain's debut issue in the French franc sector of the Eurobond market sold out swiftly, as investors moved to buy what is likely to prove the most liquid, as well as the largest, deal in that market.

The FFr3bn issue of 10½ per cent Eurobonds due 1998, launched by Crédit Commercial de France, was considered well priced, at a launch spread of 40 basis points more than the comparable French Treasury bond.

The distribution of the offering, which was almost wholly institutional, was split about equally between France and the rest of Europe.

Dealers reported switching out of French Treasury issues and Spain's Ecu bonds, as well as fresh investment, and the spread tightened by several basis points.

The Spanish Treasury plans to keep the funds in French francs.

Because of the close correlation between the French franc and the Spanish peseta, there is little exchange rate risk, a Treasury official said.

The funds may be swapped at a later date into floating-rate French francs, if an attractive opportunity occurs, she added.

French rates are about 400 basis points lower than Spanish rates, so the cost savings for the borrower are considerable.

In addition, it is difficult for Spain to raise funds maturing in more than five years in the domestic Spanish market, and the Treasury was keen to lengthen the maturity profile of its debt, by tapping the Eurobond market.

Spain expects to launch its second Ecu bond offering in the first quarter of next year, the Treasury official added.

The borrower will also consider tapping the Japanese domestic market, as part of its effort to expand the investor base for its debt.

Spain has now completed its borrowing programme for 1990, apart from perhaps issuing a small amount of medium-term notes, and its net new borrowings for the year total around $1.5bn.

The programme for next year has not yet been set, the official said.

Elsewhere, two fixed-rate offerings emerged in the Swiss market, a SFr125m five-year deal for General Motors and a SFr150m 10-year offering for Japan Finance Corporation for municipal enterprises.

● The Commonwealth of Australia is launching another buy-back programme, to repurchase its outstanding Eurodollar debt.

Around $429m of Australia's four Eurodollar bond issues is estimated to be outstanding, as some bonds have been bought back in the open market, dealers said.

Australia will set a yield level, expected to be around 50 basis points more than the comparable US Treasury yield, at which it is prepared to buy back the bonds today.

The buy-back programme, arranged by Deutsche Bank Capital Markets, will run until November 30.

Australia has previously bought back sterling Eurobonds and Yankee bonds (issued in the US market).

The following Commonwealth of Australia issues are covered by the programme: 11 per cent Eurobonds due 1995; 11⅛ per cent Eurobonds due 1995; 11⅝ per cent Eurobonds due 1998; and 11¼ per cent Eurobonds due 2000.

### INTERNATIONAL BONDS

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Council of Europe(a)♦ | 200 | zero | 93.895 | 1991 | ⅞/.525 | Fuji Int. |
| **FRENCH FRANCS** | | | | | | |
| Kingdom of Spain(a)♦ | 3bn | 10½ | 99.27 | 1998 | 30bp | CCF |
| **SWISS FRANCS** | | | | | | |
| Japan Finance Corp(a)♦ | 150 | 7⅜ | 101⅞ | 2000 | - | UBS |
| General Motors Corp(a)♦ | 125 | 7¾ | 101 | 1995 | - | Credit Suisse |
| **SWEDISH KRONOR** | | | | | | |
| SBAB(a)♦ | 200 | 13.6 | 101⅝ | 1997 | 1⅞/1¼ | IBJ Int. |
| **YEN** | | | | | | |
| Oki Electric Ind.Co.(a)♦ | 20bn | 7¾ | 101.70 | 1998 | 1⅞/1¼ | Yamaichi Int. |
| Ford Holdings Inc.(a)♦ | 15bn | 8 | 101.675 | 1997 | 1⅞/1¼ | Merrill Lynch Int. |
| Konica Corp(a)♦ | 5bn | 7.8 | 101⅝ | 1997 | 1⅞/1¼ | Nomura Int. |
| Royal Bk of Canada(a)♦ | 4bn | 12½ | 101⅛ | 1991 | 1⅛/⅝ | New Japan Secs. |

**Private placement. §Convertible. #With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable.

# Finland poised to limit targeted issues

FINLAND is considering new limitations on targeted share issues, Reuter reports from Helsinki.

Under proposals presented to the Justice Ministry, an issue targeted by a company to its own directors or to a shareholder with more than 1 per cent of the company would require the approval of a shareholders' meeting.

The board would also have to show a sound economic reason for the issue, which would be limited to a maximum one-fifth of the share capital. Targeted issues can currently be up to three times the share capital of a company.

A bill containing the proposed changes is expected to be put before parliament after next March's general election.

# Date set for Japanese convertible loan sale

JAPAN'S first convertible loan will be made through auction on December 12, AP-DJ reports.

Institutions, such as trust banks and insurance companies, are expected to bid for participation in the loan to the Japanese National Railways Settlement Corporation (JNRSC).

The loan will be convertible in 15 years into property owned by the borrower, which, some bankers say, represents another step towards fully-fledged securitisation of assets in Japan.

Bankers believe that about 20 investors are likely to bid to make the loan, to be offered in seven equal tranches, which will not be tradeable. Investors will bid by interest rate, and the results will be announced the same day.

Some bankers expect the size of the loan to be about Y350bn and each tranche Y50bn.

JNRSC will use the proceeds to develop land that it owns in the expensive, primarily commercial Shinjuku area of Tokyo.

JNRSC is the authority settling the debts of the former Japanese National Railways, which the government has privatised into new companies.

To avoid inflaming Japan's land speculation, the government wants to develop some of the property owned by Japanese National Railways before the property's ownership passes into private hands.

But JNRSC is also considering outright sales of land suitable for housing and floating equity in a unit to develop the balance of the land, bankers say.

# Singapore Air's offshore unit

SINGAPORE Airlines has incorporated a new wholly-owned subsidiary, Auspice, to handle offshore fund management activities, Reuter reports from Singapore.

Auspice, with an authorised and issued capital of £10,000, was set up last month. The airline gave no further details.

# Kleinwort aims for fair shares

**Clare Pearson** charts moves for equitable international distribution

As in most previous UK privatisation issues, it looks as if there will be no shortage of international investors in the forthcoming flotation of the 12 regional electricity companies of England and Wales.

Difficulties arise over the issue of allocation of shares among eager buyers and preventing them rapidly flooding back into the UK.

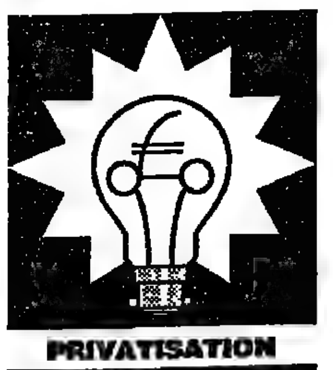
Kleinwort Benson, financial adviser to the government and global co-ordinator for the issue, is hoping it has found ways to combat both these difficulties.

But it has raised a few eyebrows among international syndicates in the process.

The amount of shares to be sold internationally will be modest, since in allocations overseas investors rank behind UK institutions and the British public.

Convention has dictated that 25 per cent of shares sent overseas returns home if public demand for the flotation exceeds a certain point.

Although the UK public offer period does not start until next week, the 7m UK residents who have registered an interest in buying shares – the second biggest response, after British Gas – suggests it will be over-subscribed.



PRIVATISATION

If, as seems likely, the whole flotation of the 12 electricity companies is worth about £5bn, full clawback would reduce the overseas portion, initially worth between 15 and 20 per cent of the total, to at most £750m.

That is not a great deal of stock for which to find buyers in the whole of continental Europe, Japan and North America.

But eager buyers in an initial share sale are not necessarily keen holders of shares for the long-term.

To seek out such so-called "quality" investors, Kleinwort has set up systems more complicated than ever used in a UK privatisation.

During this weekend – ahead of the publication of the UK prospectus next Wednesday – it will decide on regional allocations.

On Friday December 7, just before the announcement of the allocations the following Monday, it may decide to move 10 per cent of shares allocated to any geographical area to another.

This last-minute reshuffling is novel in a privatisation although commonplace in the international equity market.

To help it make these allocation decisions, Kleinwort has asked the regional lead and co-lead managers to provide it with information about the nature of demand among their clients.

They have been asked to fill in three types of document, the first covering such matters as the sensitivity of demand to various pricings and the second asking them to describe in detail which types of investors are expressing interest in the shares.

It has run into resistance with the third form, mainly from continental Europe.

This asks managers for specific details on their 10 biggest investing clients, including whether they bought shares in the UK water companies and British Steel, and how many of such shares they are still holding.

As one manager says: "This just puts in a new context what everyone has revealed verbally." The process is not novel in the US.

It affects the Japanese managers less than those in other regions since they plan to allocate about 60 per cent of their shares to private investors.

But it is believed that some managers in Europe, particularly Switzerland and Germany, have said they will refuse to reveal such information about their clients formally.

Kleinwort's reply is that they do not have to anyway, since the form-filling is purely voluntary.

However, there appear to be fears that those who do not will get smaller allocations.

Mr Peter Button, the Kleinwort director in charge of the international tranche says: "They're worried we will reward people who can demonstrate they have long-term investors – and that will come out of somebody else's allotment".

So far, Kleinwort has indicated it will divide up about 90 per cent of the shares equally between the US, Europe and Japan and give the balance to Canada.

But that could change significantly over the weekend and again on December 7. Some people believe US investors are likely to be the main beneficiaries of this process: they proved some of the firmest holders of shares bought in the water companies flotation and were also enthusiastic buyers of water in the after-market.

Kleinwort must be hoping that European investors, who have until Friday to send in their third lot of forms, will be bearing this in mind.

### INTERNATIONAL EQUITY ISSUES

# European equity warrant fund launched

By Tracy Corrigan

CRESVALE, the equity derivatives specialist, today launches a European equity warrant fund, which will focus on hedging techniques that protect assets during periods of stock market weakness.

The structure and philosophy of the fund mirrors that of Cresvale's Japanese equity warrant fund which currently totals $25m. Cresvale says this fund has outperformed most others in the sector because of its use of defensive strategies. By spelling out the message that equity warrants can be a defensive as well as a speculative tool, Cresvale hopes to win over investors who may have been badly burned this year by a market which once seemed to offer easy profits.

The Equity Warrant Fund (Europe), a Luxembourg-incorporated open-ended fund with an unlimited life, will initially be offered to institutions.

The European warrant market, currently valued at about $20bn, is still in its infancy and is dominated by warrants on French and German shares. Although the market has considerable growth potential, as European stock markets become more internationally traded, the current weakness in stock markets has dampened new issue activity. Consequently, the market lacks the liquidity, and the breadth, of the Japanese warrant market.

But European warrants also offer certain advantages. Because European stock markets proved more resilient than the Japanese market this year, many warrants are "still attractive and deep in-the-money (that is, the exercise price is below the current share price)", according to Mr Ian Cadby, adviser to the fund.

In order to ensure the European fund remains flexible, Cresvale expects to keep the size below $50m. In addition, the fund is able to buy equities where no warrants are available, with the aim of creating a fund "which can ride bull or bear markets".

Meanwhile, Cresvale has plans to open a Frankfurt office, to service clients there and ultimately to develop a capacity in German equity trading. The next strategic step for the company is likely to be into pure equity asset management.

● Citicorp Investment Bank has launched four issues of put warrants on the FT-SE stock index. The warrants, with maturities ranging from one to three years, can be exercised at any time during their life.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Tue Nov 13 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Mon Nov 12 Index No. | Fri Nov 9 Index No. | Thu Nov 8 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (195) | 687.42 | -0.3 | 15.62 | 6.94 | 7.82 | 33.01 | 689.36 | 684.47 | 681.58 | 879.39 |
| 2 | Building Materials (26) | 911.72 | -1.4 | 15.95 | 6.70 | 7.71 | 40.76 | 924.43 | 921.74 | 922.14 | 1060.46 |
| 3 | Contracting, Construction (34) | 1111.44 | -0.3 | 16.94 | 7.21 | 7.66 | 58.72 | 1114.89 | 1113.73 | 1116.21 | 1402.15 |
| 4 | Electricals (10) | 1807.88 | -0.1 | 15.52 | 7.45 | 7.88 | 99.22 | 1809.75 | 1806.42 | 1779.90 | 2519.28 |
| 5 | Electronics (26) | 1583.53 | +0.2 | 10.51 | 5.42 | 13.03 | 58.75 | 1580.28 | 1558.37 | 1557.53 | 1925.99 |
| 6 | Engineering-Aerospace (8) | 389.30 | -0.5 | 17.23 | 6.26 | 6.96 | 17.27 | 391.31 | 389.89 | 387.22 | 0.00 |
| 7 | Engineering-General (47) | 348.29 | +0.4 | 16.97 | 7.41 | 7.07 | 17.45 | 346.97 | 344.99 | 344.45 | 0.00 |
| 8 | Metals and Metal Forming (8) | 394.33 | -0.5 | 23.51 | 8.66 | 5.23 | 17.97 | 396.39 | 396.75 | 395.97 | 459.45 |
| 9 | Motors (13) | 272.08 | ....... | 18.36 | 8.84 | 6.35 | 17.45 | 272.20 | 269.81 | 266.54 | 359.62 |
| 10 | Other Industrial Materials (23) | 1139.11 | +0.1 | 14.80 | 7.16 | 7.81 | 60.96 | 1138.38 | 1124.22 | 1112.35 | 1646.44 |
| 21 | CONSUMER GROUP (178) | 1178.41 | +0.3 | 10.40 | 4.35 | 11.90 | 33.03 | 1174.88 | 1166.78 | 1169.49 | 1254.54 |
| 22 | Brewers and Distillers (22) | 1478.01 | +0.6 | 10.58 | 4.00 | 11.45 | 33.62 | 1469.34 | 1468.20 | 1474.41 | 1407.59 |
| 25 | Food Manufacturing (19) | 992.67 | +0.8 | 11.78 | 4.96 | 10.46 | 28.13 | 984.66 | 972.77 | 975.91 | 1094.27 |
| 26 | Food Retailing (16) | 2226.79 | +0.4 | 9.02 | 3.33 | 13.29 | 52.68 | 2217.77 | 2203.36 | 2219.43 | 2295.76 |
| 27 | Health and Household (17) | 2404.68 | +0.2 | 7.36 | 3.09 | 16.06 | 50.32 | 2400.26 | 2365.27 | 2377.72 | 2537.40 |
| 29 | Leisure (32) | 1190.89 | +0.4 | 12.58 | 5.45 | 9.62 | 44.58 | 1185.92 | 1182.60 | 1171.95 | 1564.58 |
| 31 | Packaging & Paper (12) | 478.37 | ....... | 13.46 | 7.28 | 9.13 | 23.79 | 478.63 | 477.65 | 477.03 | 530.75 |
| 32 | Publishing & Printing (14) | 2855.76 | +0.6 | 12.40 | 6.61 | 10.04 | 137.99 | 2840.05 | 2835.33 | 2813.35 | 3620.85 |
| 34 | Stores (34) | 790.85 | -0.5 | 11.19 | 4.69 | 11.65 | 23.86 | 794.75 | 792.00 | 793.18 | 777.07 |
| 35 | Textiles (12) | 413.24 | +0.2 | 14.45 | 8.59 | 8.78 | 25.55 | 412.26 | 408.14 | 408.84 | 512.09 |
| 40 | OTHER GROUPS (106) | 948.15 | +0.3 | 13.06 | 6.06 | 9.31 | 32.20 | 945.16 | 940.08 | 939.13 | 1110.28 |
| 41 | Agencies (15) | 940.33 | +1.0 | 11.33 | 3.55 | 10.68 | 22.70 | 931.12 | 913.12 | 908.46 | 1486.09 |
| 42 | Chemicals (24) | 1015.09 | +0.7 | 13.19 | 6.62 | 8.94 | 46.81 | 1007.92 | 1001.35 | 994.12 | 1180.26 |
| 43 | Conglomerates (14) | 1204.42 | +0.3 | 14.12 | 8.32 | 8.50 | 38.53 | 1200.88 | 1208.16 | 1230.24 | 1614.07 |
| 44 | Transport (14) | 1767.20 | -1.4 | 13.28 | 5.74 | 9.53 | 67.29 | 1792.26 | 1791.44 | 1781.22 | 2115.43 |
| 46 | Telephone Networks (3) | 1073.90 | +0.8 | 12.37 | 4.66 | 10.53 | 26.09 | 1065.27 | 1053.99 | 1046.64 | 1078.96 |
| 47 | Water (10) | 1969.14 | +0.8 | 14.73 | 6.88 | 7.69 | 68.12 | 1954.04 | 1939.15 | 1939.86 | 0.00 |
| 48 | Miscellaneous (26) | 1485.82 | -0.3 | 12.59 | 6.07 | 9.23 | 62.06 | 1489.80 | 1482.00 | 1478.26 | 1840.82 |
| 49 | INDUSTRIAL GROUP (479) | 987.42 | +0.2 | 12.35 | 5.43 | 9.93 | 33.79 | 985.65 | 979.27 | 979.15 | 1130.51 |
| 51 | Oil & Gas (21) | 2271.43 | -0.3 | 9.85 | 5.54 | 13.26 | 85.44 | 2278.72 | 2284.04 | 2270.29 | 2143.15 |
| 59 | 500 SHARE INDEX (500) | 1092.52 | +0.1 | 11.96 | 5.45 | 10.34 | 37.98 | 1091.42 | 1085.87 | 1084.72 | 1215.75 |
| 61 | FINANCIAL GROUP (103) | 683.38 | +0.5 | – | 6.98 | – | 33.16 | 680.24 | 678.22 | 671.84 | 783.36 |
| 62 | Banks (9) | 721.86 | +0.3 | 22.66 | 7.98 | 5.78 | 42.00 | 719.55 | 714.41 | 709.90 | 798.10 |
| 65 | Insurance (Life) (7) | 1271.60 | +0.8 | – | 6.04 | – | 55.82 | 1261.35 | 1257.11 | 1246.13 | 1312.26 |
| 66 | Insurance (Composite) (6) | 584.28 | +2.2 | – | 7.32 | – | 32.08 | 571.73 | 574.30 | 573.12 | 665.37 |
| 67 | Insurance (Brokers) (8) | 913.17 | +1.5 | 8.35 | 7.04 | 15.44 | 41.94 | 899.55 | 895.54 | 890.30 | 1083.05 |
| 68 | Merchant Banks (7) | 339.58 | -1.2 | 5.72 | 6.03 | 23.29 | 12.75 | 343.79 | 344.90 | 342.90 | 423.49 |
| 69 | Property (45) | 936.11 | -0.8 | 7.05 | 5.22 | 16.82 | 27.11 | 943.45 | 940.71 | 927.43 | 1177.40 |
| 70 | Other Financial (21) | 242.85 | -0.5 | 11.64 | 7.42 | 11.03 | 12.21 | 244.05 | 244.38 | 244.10 | 321.53 |
| 71 | Investment Trusts (70) | 996.55 | +0.3 | – | 4.02 | – | 27.18 | 993.94 | 986.79 | 982.06 | 1207.98 |
| 91 | Overseas Traders (5) | 1073.74 | +0.7 | 13.31 | 8.60 | 8.94 | 69.98 | 1066.21 | 1055.24 | 1050.59 | 1400.89 |
| 99 | ALL-SHARE INDEX (678) | 992.08 | +0.2 | – | 5.68 | – | 36.43 | 990.49 | 985.66 | 933.53 | 1112.56 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Nov 12 | Nov 9 | Nov 8 | Nov 7 | Nov 6 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2056.0 | +4.1 | 2071.2 | 2053.9 | 2051.9 | 2040.6 | 2036.2 | 2059.2 | 2069.8 | 2214.7 |

### FIXED INTEREST

| | PRICE INDICES | Tue Nov 13 | Day's change % | Mon Nov 12 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years | 118.84 | +0.13 | 118.68 | – | 10.71 |
| 2 | 5-15 years | 123.79 | +0.19 | 123.56 | – | 11.95 |
| 3 | Over 15 years | 123.69 | +0.28 | 123.35 | – | 10.78 |
| 4 | Irredeemables | 139.10 | +0.05 | 139.03 | – | 13.46 |
| 5 | All stocks | 123.97 | +0.18 | 123.75 | – | 11.55 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years | 157.20 | +0.08 | 157.08 | – | 3.04 |
| 7 | Over 5 years | 142.15 | +0.48 | 141.47 | – | 3.45 |
| 8 | All stocks | 143.17 | +0.45 | 142.53 | – | 3.42 |
| 9 | Debentures & Loans | 101.92 | +0.03 | 101.89 | – | 9.69 |
| 10 | Preference | 73.34 | +0.26 | 73.15 | – | 5.84 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Nov 13 | Mon Nov 12 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 10.31 | 10.31 | 9.94 |
| 2 | Coupons | 15 years | 10.79 | 10.81 | 9.66 |
| 3 | | 25 years | 10.83 | 10.86 | 9.57 |
| 4 | Medium | 5 years | 11.35 | 11.40 | 11.01 |
| 5 | Coupons | 15 years | 11.24 | 11.27 | 10.04 |
| 6 | | 25 years | 11.16 | 11.17 | 9.68 |
| 7 | High | 5 years | 11.46 | 11.50 | 11.13 |
| 8 | Coupons | 15 years | 11.44 | 11.47 | 10.24 |
| 9 | | 25 years | 11.43 | 11.45 | 9.84 |
| 10 | Irredeemables† | | 10.97 | 10.97 | 9.65 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 3.62 | 3.64 | 3.42 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.23 | 4.26 | 3.60 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.45 | 2.47 | 2.62 |
| 14 | Inflation rate 10% | Over 5 yrs. | 4.06 | 4.09 | 3.44 |
| 15 | Debs & | 5 years | 13.36 | 13.36 | 12.59 |
| 16 | Loans | 15 years | 12.86 | 12.86 | 11.97 |
| 17 | | 25 years | 12.90 | 12.50 | 11.96 |
| 18 | Preference† | | 12.93 | 12.96 | 10.71 |

‡Opening index 2071.1; 9 am 2063.8; 10 am 2060.1; 11 am 2063.9; Noon 2065.2; 1 pm 2065.1; 2 pm 2060.4; 2.30 pm 2060.4; 3 pm 2059.3; 4.10 pm 2056.6; (a) 8.32am (b) 3.49pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. NAME CHANGE: MB Group (43) has changed to MB Caradon. PLEASE NOTE: Dates in yesterday's table were incorrect, data was correct.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 77 | 0 | 9 |
| Corporations, Dominion and Foreign Bonds | 5 | 0 | 16 |
| Industrials | 321 | 290 | 935 |
| Financial and Properties | 193 | 122 | 426 |
| Oils | 12 | 28 | 51 |
| Plantations | 1 | 0 | 9 |
| Mines | 31 | 36 | 85 |
| Others | 94 | 28 | 82 |
| Totals | 734 | 504 | 1,613 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price | Amt. Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 155 | F.P. | – | 160 | 155 | ♦Brabant Resources £1 | 155 | -4 | – | – | – | – |
| 2 | F.P. | – | 4½ | 3 | Finlan Group 1p | 3½ | | – | – | – | – |
| – | F.P. | – | 24 | 18 | JF Fledgeling Jap. Wts | 18 | | – | – | – | – |
| – | F.P. | – | 22 | 20 | ♦MMI 1p | 22 | | £1.0 | 3.4 | 6.1 | 8.5 |
| § | F.P. | – | 17 | 8 | ♦Paramount 2½p | 9 | | – | – | – | – |
| † | F.P. | – | 53 | 35 | ♦Pelican 20p | 36 | | – | – | – | – |
| $100 | F.P. | – | 96 | 88 | Scudder Cos. Inv. Tst 50p | 88 | -2 | – | – | – | – |
| – | F.P. | – | 23 | 19 | Do. Warrants | 21 | | – | – | – | – |
| 225 | F.P. | – | 245 | 190 | ♦Standard Platform 10p | 190 | -5 | – | – | – | – |

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

### TRADITIONAL OPTIONS

- First Dealings Nov. 12
- Last Dealings Nov. 23
- Last Declarations Feb. 21
- For settlement Mar. 4

*For rate indications see end of London Share Service*

Calls in Amstrad, Atlantic Res., Aviva Pet., Brent Walker, Cabra Est., Erskine House, Premier Cons. and Tuskar Res. Put in Dixons. Put and Call in Tuskar Res.

### LONDON TRADED OPTIONS

FUTURES and options markets had a thin session, with investment activity discouraged by worry over the weakness in sterling against the D-Mark as the debate over leadership of Britain's ruling Conservative party continues to unfold.

*Nervousness was particularly apparent in late afternoon when Sir Geoffrey Howe, the former UK deputy prime minister, addressed the House of Commons.*

Among share options, it was once again Racal Electronics which dominated the market as the excitement prompted by Monday's unexpected news of a planned break-up was fuelled by yesterday's announcement by the UK government that it wants to end the duopoly in UK telecommunications currently held by British Telecom and Cable & Wireless.

Racal Electronics topped the list of active options, although by a lesser margin than in the previous session. Racal's 3,352 contracts were followed by 2,685 in British Steel as investors showed some concern over prospects for the steel dividend in the wake of Monday's trading statement. Dividend yields have become an important prop for a UK stock market in which the outlook for corporate profits is now under the cloud of an impending recession. British Steel is widely held by institutions attracted by its stable dividend history.

Options in British Telecom, at 1,836, were less active than might have been expected in view of the government's duopoly report; traders said the report contained few surprises.

There was also activity in Boots, the retail chemist, with 858 contracts traded as the stock was sold ahead of today's interim trading report. Rolls-Royce, active in the underlying equity market, also attracted interest in options with 806 contracts moving through the market.

The December future on the FT-SE Index remained at a premium of some 15 points over fair value, but traders said that business in the contract was unimpressive.

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*475) | 420 | 62 | 82 | 85 | 5 | 10 | 13 |
| | 460 | 35 | 53 | 58 | 16 | 22 | 28 |
| | 500 | 15 | 33 | 38 | 38 | 42 | 46 |
| ASDA (*125) | 110 | 20 | 24 | - | 2½ | 5 | - |
| | 120 | 13 | 22 | 22 | 5½ | 8½ | 10½ |
| | 130 | 8 | 13 | 17 | 10 | 13 | 15 |

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UK COMPANY NEWS

# Clyde Petroleum in £68m Dutch deal with BP

By Steven Butler

CLYDE PETROLEUM, the UK independent oil company, has agreed to acquire British Petroleum's exploration and production assets in the Netherlands for Fl 224.3m (£68m).

The acquisition is aimed at bolstering Clyde's gas position in the Netherlands, where it has steadily increased its holdings following a £121m acquisition two years ago from Newmont Mining.

The BP sale is part of a broader process at BP of disposing of assets which it does not regard as central to its strategy. BP has been selling assets where it has a minority position or in countries where it has a relatively small position.

Mr Colin Phipps, chairman of Clyde, said: "We regard Holland gas as a core area for us. We believe that gas in the '90s is going to be the place to be in Europe."

Mr Phipps said the portfolio of assets included a range of producing properties, development projects and exploration acreage.

"The package we've just acquired is not without elephants," he said, referring to large geological structures in the exploration acreage that may potentially contain gas.

The acreage also includes nine blocks where Clyde will become operator, subject to Dutch government approval. Clyde is currently operator in only one Dutch licence block.

The acquisition will increase Clyde's gas production by 30 per cent, thus giving an immediate boost to cash flow. Cash flow on the acquired assets in 1989 amounted to Fl 27m. Clyde estimates the addition to proven and probable gas reserves amounts to 92bn cu ft.

The assets consist of offshore interests in 23 blocks, with an average interest of 37.5 per cent, for a net total of 1,670 square miles. Onshore, the package includes interests in two areas, including a 15 per cent net interest in the Waalwijk field due to start production late next year.

Mr Phipps said the package would fit well with Clyde's holdings and that there was no overlap with the BP assets. There was also a tax fit and Clyde would not be paying taxes in the Netherland for some time.

# The importance of being Sir Ernest

## Maggie Urry profiles the dynamic rise of Racal's chief executive

TO MANY people the names Sir Ernest Harrison and Racal Electronics are almost synonymous. The chairman and chief executive of what was one of the fastest growing UK companies in the 1970s, has made the company his own, although the word Racal was in fact made up from the first names of its two founders, Raymond (now Sir Raymond) Brown and the late Mr Calder Cunningham.

But now Sir Ernest wants to take part of the Racal empire private through a management buy-out, after demerging two businesses, Racal Telecom and Racal Chubb Security.

This response to what he regards as the stockmarket's persistent undervaluation of the company is typical of Sir Ernest. A man of medium height, but "thick set" according to those who know him, he is often described as aggressive and forthright, as responding "angrily" or "vigourously" to criticism.

Said one analyst yesterday, "Sir Ernest is saying to shareholders 'if you value the business at nothing, I'll have it'."

Also typically, the whole affair has been arranged suddenly. Sir Ernest called an emergency board meeting on Sunday to discuss the plan and only told the group's financial advisers a few minutes before the news hit the Stock Exchange screens on Monday morning.

Two years ago, when Sir Ernest feared that Cable & Wireless was about to swoop on the group, he called a board meeting at 5.30am to agree to float off part of Racal Telecom, a defensive move which worked. There is, it is said, a prize at Racal called the "oh God, its Ernie" award. This is given to the unfortunate employee who can regale colleagues with the best being-rung-up-by-Ernie-at-three-am stories.

Sir Ernest, as Ernie Harrison, joined Racal in its early days. He was a north London grammar school boy, who trained as a pilot in the second World War but went on to become an accountant, qualifying in 1950. One day in 1951 he went to audit a tiny consultancy company founded the previous year, which had just begun manufacturing radio equipment.

Having hit it off with the founders, he was hired as secretary and chief accountant. Involved in the company's flotation in 1961 he became deputy managing director the same year. Mr Cunningham had died in 1958, and in 1966 Mr Brown was whisked off to the Ministry of Defence in 1966 to head its defence sales business. Thus, on his 40th birthday, Sir Ernest took over as chairman and managing director of Racal.

Sir Ernest's brilliance was in marketing. If a piece of equipment sold to a far-distant buyer went wrong it was not unusual for the chairman or another board member to arrive on the customer's doorstep 24 hours later full of apologies and with a free replacement. This attention to keeping the customer satisfied meant the company won repeat orders.

Long-time followers of the group say that its big break came in 1969 when it took over Controls and Communications Group. Up till then, says one observer, "the group had been puttering along selling cheap and cheerful products to third world countries." He says that the takeover of Controls and Communications "took it into the hi-tech league". And it gave Racal an opening into selling defence equipment to the UK and other Nato governments.

This was the start of the group's rapid growth in the 1970s. Racal's pre-tax profits reached £1m in 1969 and £100m in 1982. Sir Ernest had received his knighthood in 1981.

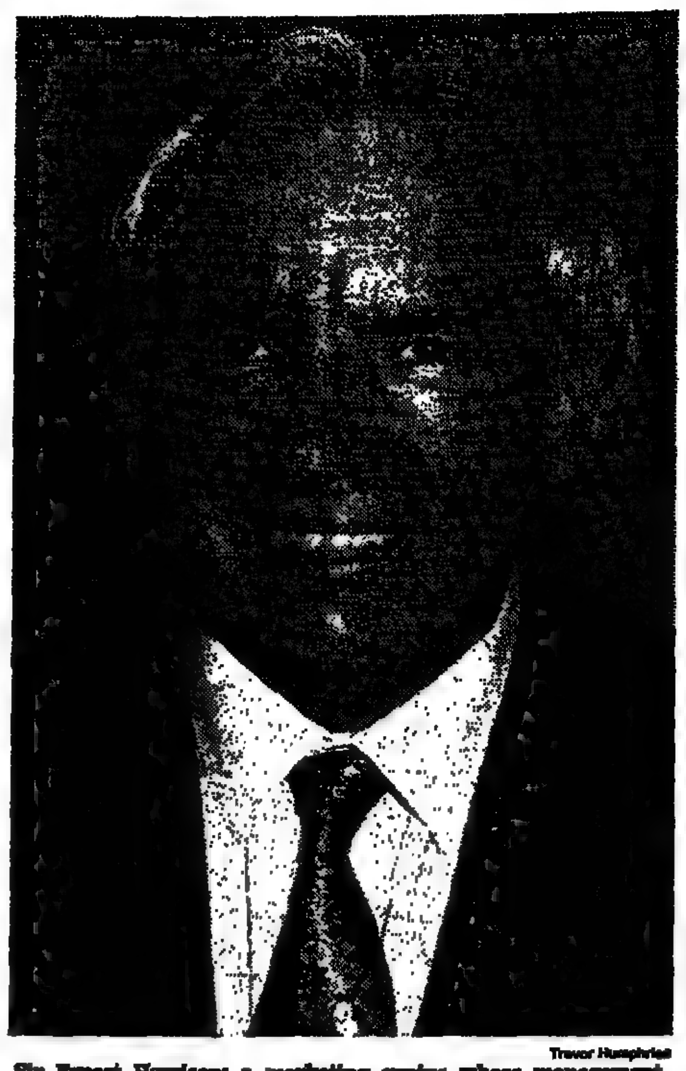
An Old Bailey trial in 1977 of two ex-Racal executives, eventually found guilty of giving bribes to win orders, did not seem to affect either the company or its chairman, although the deputy chairman Mr Oliver Prenn, had dramatically changed his evidence during the trial, first denying and then admitting that he knew of a payment.

In the 1970s fund managers scrabbled to buy the company's shares. But in the 1980s things changed. The company – which Sir Ernest aimed to make a world leader in the industry – repeatedly disappointed the stock market's high hopes. And it was little-known outside the circles of the City and the electronics industry. In the mid-1980s the group ran a television advertising campaign with the slogan "the biggest company you've never heard of".

But at the same time Racal was working on its next big money-spinner. In 1983 Racal won the Government licence to run Vodafone, the car telephone system, despite having no track record in the business. Perhaps that was another example of Sir Ernest's marketing genius. Although a drain on Racal for some years, it is now the basis of Racal Telecom's fortunes.

Now Sir Ernest plans to take private the part of Racal which is presently giving him the most trouble. He will need all his skills to restructure the business, but the rewards could be just as large in a few years time.

But at 64 can he still manage the business? Opinions are divided. Says an old acquaintance, "he is not the man he was 10 years ago, I don't think the fire's there." But another remarks, "I've seen no diminution in his energies at all."



Trevor Humphries

Sir Ernest Harrison: a marketing genius whose management style has been often described as aggressive and forthright

# Overseas growth lifts Body Shop to £6.7m

By John Thornhill

BODY SHOP International, the natural cosmetics manufacturer and retailer which campaigns for environmental issues, revealed another difference from most of its high street competitors by announcing a healthy increase in interim pre-tax profits.

In the six months to August 31 profits before tax increased by 26 per cent, from £5.32m to £6.69m. Sales grew by 39 per cent, from £34.66m to £48.12m.

Like-for-like sales increases in the UK ran at an average of 8 per cent and total turnover rose by 30 per cent helped by the opening of 15 shops during the period. At the end of August, Body Shop had 154 shops in the UK and aims to increase this to 175 by the end of the financial year. The bulk were franchised and the company only owned 37 at the end of the period.

The company said it had passed two significant milestones during the half year: it opened its 500th store and made more retail sales overseas than it did in the UK for the first time.

"I think that emphasises that we have grown into a genuinely international business," said Mr Gordon Roddick, chairman.

Overseas sales during the half year were particularly buoyant with like-for-like growth of 25 per cent and total growth of 62 per cent. Body Shop had 360 outlets in 37 countries by the end of the period and expected to move into profit in the US in the second half.

The group's manufacturing activities, which accounted for about 20 per cent of its business, were said to have successfully developed new products.

Earnings per share increased from 1.6p to 2p. The interim dividend has been lifted in line with the increase in profits to 0.52p.

**● COMMENT**

Body Shop seemingly disproves most of the rules of retailing but not all. Behind the headline-catching rise in profits lurks a near-static growth in UK sales of 1 per cent once price inflation and store additions are stripped out. Even Body Shop, it seems, is feeling some of the squeeze on the high street. But where the company gains is by franchising the bulk of its stores – thereby avoiding the heavy cost increases which have so crippled other retailers. The international strength of its business shelters its figures and the reduction in gearing to 10 per cent – following the £29.6m share placing in June – will also flatter the second half. Pre-tax profits may advance to around £21m in the full year. The share price has fallen sharply this year – at one time it reached 326p – and was down 3p yesterday at 150p, but Body Shop is still on an eyebrow-raising prospective multiple of 21. The cautious may prefer to wait to see how the Christmas period pans out but the company is beginning to look attractive again on long-term fundamentals.

# Proposed management buy-out worries shareholders

By Richard Gourlay

ONE QUESTION figures prominently in the thinking of Racal Electronics' institutional shareholders following Monday's surprise announcement of a proposed break-up. How can shareholders be confident the business is being run in their best interests when the chairman has declared he will be leading a management buy-out for part of their company?

The fact that there were no advisers appointed yesterday, either for Racal Electronics shareholders, or for the proposed MBO, further added to their concerns about the potential for conflicts of interest.

A little more than a month ago Sir Ernest Harrison, Racal Electronics' chairman, and his team were touring the City extolling the value of the links between Racal Telecom, the successful operator of Vodafone, and the network parts of Racal Electronics. Then on Monday Sir Ernest announced that Racal Electronics shareholders were to be given shares in Racal Telecom and Racal Chubb Security and that he would lead an MBO of the rump of the business.

| TURNOVER/PROFITS FOR TEN YEARS (£m) | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 596 | 644 | 754 | 816 | 1,107 | 1,266 | 1,291 | 1,367 | 1,589 | 1,974 |
| Pre-tax profits† | 73 | 103 | 118 | 119 | 132 | 90 | 100 | 126 | 178 | 201 |

(The figures for 1981 and 1982 have not been adjusted to reflect the change in the accounting policy on the treatment of profits and losses resulting from changes in foreign exchange rates.

One view of this move is that Sir Ernest has thrown down a gauntlet to shareholders who have consistently undervalued the 80 per cent of Racal Telecom which Racal Electronics holds. Sometimes that valuation has placed a negative value on the non-Chubb, non-Racal Telecom businesses, which include data communications, defence radar, marine and energy, radio communications, some specialised businesses and networks. Value the MBO portion of Racal Electronics at nothing and we will give you nothing, the argument goes.

The arguments which will emerge once advisers are appointed will, however, be much more complicated. Valuing Racal Electronics' Telecom stake is relatively simple; a 275p share price values the 80 per cent stake at £2.2bn. Racal Chubb Security is less easily valued as it is not quoted. UBS Phillips & Drew, independent stockbrokers, says the positive benefit from the removal of conglomerate management helps place a value of around £400m on this business, before the allocation of any Racal Electronics debt.

Valuations of the rump of Racal covered by the MBO – roughly, the businesses which were in place before the group laid its golden egg in the shape of Vodafone in 1985 – then start to vary wildly, between £250m and £500m, in the absence of information about the six divisions' business.

At the moment these businesses have a combined turnover of £987.3m but are making a relatively modest £48.8m trading profit. Racal Electronics's directors are the only people with a clear picture of whether these companies are likely to turn around and therefore what their value might be, institutional shareholders say.

There is also the question of how much of Racal Electronics's £375m debt will be allocated to the MBO rump. As a quoted company with its own accounts, Racal Telecom, which is in any case spinning off cash to the group, would probably escape having to take on board any debt.

Racal Chubb on the other hand would not escape this fate. As institutional investors and analysts repeatedly pointed out yesterday, transferring debt to Racal Chubb and away from the MBO would benefit Sir Ernest's team at the expense of the Racal Electronics shareholders.

Racal Electronics board members were unavailable yesterday to explain what steps the company was taking to safeguard against potential conflicts of interest.

The most difficult part of the proposed MBO business to value is Racal Electronics' Government Data Network (GDN) service, already linking government departments, and the Government Telephone System (GTS), for which contracts are still being negotiated. These potentially lucrative businesses depend on high usage rates and low costs for the lines.

If GDN and GTS are going to be as lucrative businesses as Sir Ernest has recently been saying, their future earnings should be reflected in the value paid for the MBO assets to Racal Electronics shareholders. Some analysts believe this business could be worth as much as £300m.

If the business is not worth this however, Sir Earnest may be paying less to Racal Electronics shareholders but may find finance for his MBO more difficult to obtain.

# Great Portland expands 22% to £19.7m

By Vanessa Houlder, Property Correspondent

GREAT PORTLAND Estates, the property investment company which has over three-quarters of its portfolio in the West End and City of London, yesterday announced a 22 per cent increase in pre-tax profits from £16.17m to £19.72m for the six months to September 30.

Mr Richard Peskin, chairman, said there had been a further fall in the value of the group's properties. The decline in value, which reflects the problems of surplus office space in London and a lack of institutional appetite for property, was demonstrated by valuations carried out in the last three months by Hillier Parker for debenture purposes.

In June, Great Portland Estates was the first of the large property companies to announce a big fall in the value of its portfolio. It said its overall portfolio had dropped 4 per cent in value to £900m while its City portfolio had fallen by 17 per cent.

Mr Peskin was optimistic that profits for the second half of the year would be broadly in line with the first half.

The letting market was "patchy" although there was reasonable tenant demand for the right product at the right level of rent, he said.

The rents received rose from £18.54m to £23.58m. Trading profits increased from £38,000 to £200,000.

Profits from its share of Bride Hall, a UK trader developer (the majority of whose schemes have been forward funded with institutions), fell from £1.63m to £283,000. Interest payable edged up from £4.33m to £4.34m.

Earnings per share rose to 6.6p (5.4p) and the interim dividend is being stepped up to 3.4p (3p).

The share price fell from 220p to 217p.

# Sedgwick rises to £78.5m

By Richard Lapper

SEDGWICK GROUP, the international insurance broker, announced pre-tax profits of £78.5m for the first nine months of 1990, up from £76.3m. Earnings per share were 12p, against 11.8p.

Revenues rose 5 per cent to reach £528m, but that was matched by a like increase in expenses to £445.1m.

Mr David Rowland, chairman, remained cautious about the group's prospects. He said a possible hardening in reinsurance rates was likely to be countered by continuing shrinkage in capacity in the London market.

Premium rates in the US retail market, from which Sedgwick derives around 40% of its income, were still very weak, having fallen by about 10% this year. In the UK several of the group's important clients were in difficulties. "We have lost some clients that we used to have," the chairman said.

# Meyer's 36% fall not as bad as market forecast

By Andrew Bolger

MEYER INTERNATIONAL, the builders' and timber merchant, yesterday reported a 36 per drop in pre-tax profits to £25.8m in the six months to September 30.

Turnover was slightly ahead to £593.5m (£581.9m) but earnings per share fell 33 per cent to 19.5p. The interim dividend was maintained at 4.2p.

Property profits fell to £2.5m, compared with £7.7m in the comparable period, which Meyer blamed on conditions in the commercial property sector.

Cadel, the heating and plumbing merchants, showed an operating loss of £2.1m (against a profit of £600,000) on a sharply reduced turnover of £26.5m (£44.5m).

Meyer said this reflected a deliberate change in marketing focus from low-margin contracts to specialist customers at a time of deteriorating market and sales volumes. Sir Oscar DeVille, chairman, said: "Despite the unfavourable environment in which to absorb new businesses, our established builders' merchants and forest products operations contained the decline in their operating profits to 10 per cent. We believe this demonstrates an underlying strength and resilience which will reinforce our competitiveness when the UK economic climate improves."

Jewson, with its national spread of builders' merchants branches, had maintained its pre-eminent position in the market and successfully resisted pressures on margins.

Former UBM branches were showing marked improvement in profit performance. Turnover declined by 10 per cent to £225m, with operating profits down to £17.3m (£20.6m).

Sir Oscar DeVille: businesses have underlying strength

Meyer said the wholesale division of forest products, which operates big port sites, also held its market position, reporting a performance ahead of expectations. The merchants division, while experiencing difficult trading, was helped in countering the general trend by its wide spread of niche businesses. Taken together, turnover of these divisions was £163m (£158m) and operating profits were £10.1m (£10.2m).

Sir Oscar said: "Whilst we are heartened by the recent first step to cut UK interest rates from their prolonged high level, any further rate reductions are more likely to benefit performance in the next financial year. We draw strength, however, from the potential of our businesses and their scope to exploit fully any upturn in activity in the UK."

**● COMMENT**

In spite of the poor headline figures, these results were slightly better than expected and the shares closed 3p higher at 363p. Most concern will centre on Cadel, where the balance of the business has been shifted from contracts to specialist customers and from heating to plumbing, but at the price of slashing turnover.

The Jewson builders' merchants have kept profit margins at a respectable 7.7 per cent, although they are likely to come under further pressure in the second half. Forecast earnings of about £45m put the shares on a prospective multiple of 10.7, which is not particularly cheap, given a yield of only 6.1 per cent. The management is well thought of and Meyer is a sound hold for cyclical recovery, but the share price is unlikely to race ahead in the short term.

# Recession-hit Marshalls tumbles 45% to £9.2m

By Andrew Taylor, Construction Correspondent

MARSHALLS, the building materials group based in Halifax, has become the latest group to announce a big fall in profits as a result of the recession in the British construction industry.

Pre-tax profits tumbled by 45 per cent, from £16.64m to £9.21m, during the six months to the end of September.

Mr David Marshall, chairman, blamed reduced margins and higher interest charges, up from £902,000 to £3m. Turnover rose 11 per cent to £104.56m (£94.49m).

Fully diluted earnings per share slumped from 8.38p to 4.43p, but the interim dividend is again 1.25p.

Net debt had risen from £29m to £41m as the group invested heavily to improve concrete paver production and to provide its first concrete paver plant.

Mr Marshall expected gearing to be just under 50 per cent at the year end on shareholders funds of almost £100m. The company recognised that was too high and had reduced its expenditure.

About £1.5m of the fall in profits during the first half was a result of technical problems in bringing the group's new Trent Jetfloor, concrete flooring company, fully on stream.

Brick profits at Armitage – acquired for more than £70m against strong competition from Hanson and rival brickmaker Ibstock Johnson in May 1988 – fell by 35 per cent to about £2.5m. This was despite a big increase in the number of bricks sold. Prices on average had fallen about 20 per cent this year, said Mr Marshall.

Concrete products profits fell by 9 per cent to about £10m, despite a 10 per cent increase in sales.

The performance in the US was mixed with profits from the Florida concrete paver operations offsetting further losses from concrete block sales in Tennessee.

**● COMMENT**

Marshall's timing has been sadly awry. Armitage was bought at the top of the market and is now suffering as competition in the brick market has increased. The Tennessee acquisition, after one good year, is also suffering – this time from a sharp fall in US housebuilding. Neither has it been a good time for the group to increase borrowings to finance an ambitious investment programme which, excluding acquisitions, has cost £40m over the past 18 months. On the positive side, Marshalls has increased market share although margins have suffered as a result. Profits could sink as low as £18m this year and to £15m next, assuming the projected recovery in UK housebuilding is delayed until the second half of next year. The shares, therefore, are unlikely to perform in the short term.


GREAT PORTLAND ESTATES

PROPERTY INVESTMENT AND DEVELOPMENT

INTERIM RESULTS FOR 1990

| Unaudited | Half-year to 30.9.90 £'000 | Half-year to 30.9.89 £'000 | Year to 31.3.90 £'000 |
|---|---|---|---|
| Income on ordinary activities before tax | 19,723 | 16,172 | 35,961 |
| Income on ordinary activities after tax | 12,828 | 10,504 | 24,142 |
| Earnings per share | 6.6p | 5.4p | 12.3p |
| Dividend per share | 3.4p | 3.0p | 9.0p |

The results for the year ended 31.3.90 are abridged from the full accounts for that year, which have been filed with the Registrar of Companies and contain an unqualified audit report.

■ Rent receivable £27.9 million – UP 26%

■ Earnings per share – UP 22%

■ Interim dividend – UP 13%

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# UK COMPANY NEWS

## Unigate shares dip 19p as profits fall to £41m

By Clay Harris, Consumer Industries Editor

UNIGATE, the food and transport group, suffered a 6 per cent decline in pre-tax profits from £44.2m to £41.4m in the six months to September 30 because of a sharp fall in the contribution from distribution services.

Turnover crept up by 1 per cent to pass £1.2bn by only £5.5m. The interim dividend is maintained at 5.7p despite an 8 per cent decline in earnings per share to 12.1p (13.1p).

Unigate said it did not expect a significant improvement in underlying trading during the second half. Its shares fell by 19p to 268p yesterday.

The decline in profits from the Wincanton motor vehicle sales and contract hire operation, the Giltspur exhibition business and property disposals offset increases from almost all of Unigate's food activities in the UK and US.

Only the US cheese business, selling Italian varieties under the Frigo and Gardenia brands, did worse than in the 1989-90 half, being hit by volatile milk prices. US results, including those from the Black Eyed Pea and Taco Bueno restaurant chains, benefited from translation at $1.56. Forward cover continues for the rest of the financial year.

UK foods, Unigate's largest operation, advanced on all fronts, but the best result was achieved in the smallest division, farm foods, which produces bacon and ham products, animal feed, turkeys and chicken.

Mr Ross Buckland, the former head of Kellogg's UK and European operations who became chief executive on October 1, said the outlook was less promising in the second half because of competitive pressure from Eastern Europe and from poultry diverted from Middle East markets closed by the Gulf crisis.

The dairy business improved turnover and profits despite a decline in volumes, especially in doorstep deliveries, and the fresh foods division, which includes the St Ivel and Shape brands, was restrained by an oversupply of cheese and butter.

Wincanton saw operating profits fall by more than half to £5.2m with the weak economy taking its toll both on initial demand for cars and trucks and on residual values of vehicles on contract hire. Unigate said profits held up well in distribution, with growth on the food side offsetting a decline in non-food activity.

Related companies, principally the 30.7 per cent shareholding in Nutricia, the Dutch company into which Unigate injected its Cow & Gate baby-food business, increased their contribution. The tax charge edged up to approach 32 per cent because of a lower proportion of property profits in the half.

Costs related to planned and completed closures accounted for a £5.4m (£0.2m) extraordinary debit. The figure includes the operating results for the businesses. Mr Buckland said similar provisions were possible in the second half.

Unigate described its balance sheet as "fundamentally unchanged" after consolidating £121m of assets in the form of vehicles on contract hire and £105m of limited recourse financing relating solely to the vehicles. Excluding that addition, gearing was 23 per cent at September 30.

See Lex

**RESULTS BY DIVISION**

| | Operating profits (£m) | % change |
|---|---|---|
| UK Food | 27.8 | +19 |
| Dairies | 11.8 | +12 |
| Fresh foods | 11.6 | +1 |
| Farm foods | 4.7 | +194 |
| US Food | 8.1 | +31 |
| Cheese | 0.7 | -56 |
| Restaurants | 7.4 | +45 |
| Distribution | 5.4 | -58 |
| Wincanton | 5.2 | -53 |
| Giltspur | 0.2 | -89 |
| Other | 1.4 | -52 |
| Nutricia | 5.1 | +76 |
| Interest | (6.2) | +65 |
| Pre-tax total | 41.4 | -6 |


## CHARITIES

The FT proposes to publish this survey on December 5 1990.
It will be of particular interest to large numbers of UK Board Directors who are regular FT readers. If you want to reach *this important audience, call Andy* Barrons on 071 873 3201 or fax 071 873 3062.

FT SURVEYS

## SCOTLAND

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FT SURVEYS

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## Revised rescue plan for Strong & Fisher

By Clay Harris, Consumer Industries Editor

STRONG & FISHER, the leather company fighting to avoid receivership, would be allowed to retain a reduced stake in its rival Pittard Garnar under a compromise proposal being studied by Mr Peter Lilley, trade and industry secretary.

The plan, put forward last week by Hillsdown Holdings, the diversified food group which would take a controlling shareholding in Strong under a proposed rescue package, has received preliminary approval from DTI officials.

If Mr Lilley gives the go-ahead, the way would be clear for Hillsdown and 11 banks to proceed with a rescue of Strong.

The pressure on him to accede may be increased by a separate development late yesterday afternoon – a warning by Pittard itself that the market for clothing leather had continued to weaken since the beginning of October, meaning that it would remain in the red for the second half of 1990.

Under the revised proposals, Hillsdown is offering to sell down Strong's 27.4 per cent stake in Pittard over a period exceeding a year. The residual shareholding is unlikely to be higher than 15 per cent or less than 9.9 per cent.

A critical element is an agreement by the banks to recompense Hillsdown if it cannot achieve a certain price for the Pittard shares within the disposal period.

Hillsdown had objected strongly to Mr Lilley's decision last week to refer the Strong rescue to the Monopolies and Mergers Commission unless it agreed within 48 hours to sell the stake. Hillsdown argued that the Pittard shareholding was one of Strong's most important assets, and that a forced disposal would necessarily undervalue the stake.

The rescue involves Hillsdown injecting its skin processing and trading operations into Strong, and subscribing cash for additional shares and underwriting a rights issue. The process could leave it with a 70 per cent stake in Strong, which is insolvent with net liabilities of £11m at June 29.

Creditor banks led by Hambros have agreed to write off £14m of the £48.3m owed and to convert £24m into equity.

Pittard had supported the Strong rescue with the caveat that Hillsdown should not be allowed to exert material influence on its affairs. As of last night, Pittard had not been consulted by the DTI about Hillsdown's revised proposals.

The profit warning was released after Pittard's shares had closed unchanged at 45p. When it reported an interim pre-tax loss of £1.87m, against a profit of £2.01m in the 1989 half, it said it expected to trade profitably in the second half but still to report a full-year loss against a £4.04m profit.

Yesterday, however, Pittard said its clothing and chamois division was suffering from weak demand. Mr John Pittard, managing director, said exports to the US, Canada, Italy and Spain had been particularly badly affected.

The group's gloving and shoe and leathergoods divisions were operating profitably, he said, and tougher controls on working capital had helped to reduce current borrowings from £34m to £25m since June 30.

## De La Rue up 70% as margins rise

By Andrew Hill

DISPOSALS and continued cost-cutting helped De La Rue, the banknote-printer, increase pre-tax profits by more than 70 per cent to £28.3m in the six months to September 30.

Turnover rose from £161m to £174m, but profits were generated at higher trading margins, which rose from 13.4 per cent to 15.3 per cent.

In the equivalent period, De La Rue made £16.6m before tax, but since Mr Jeremy Marshall joined the group as chief executive a year ago the company has sold or closed all its troubled high-technology subsidiaries, eradicating £8.2m of operating losses.

At the same time, Mr Marshall, a former Hanson and BAA executive, has presided over a halving in central costs and introduced strict controls on capital expenditure: every spending request now has to pass through the head office.

The elimination of unrelieved losses in discontinued operations meant a reduction in the group's tax rate, from 42 per cent to 33 per cent, and earnings per share more than doubled to 13p (6.1p).

However, De La Rue opted to declare an identical interim dividend of 3.25p per share, arguing that dividend payments had been maintained last year on much lower earnings.

The company spent £11m in the first half, including the final payments on a new office building – some £8m less than originally budgeted.

Mr Marshall said yesterday: "We haven't been clamping down on capital expenditure where there is a good case for it, but I think the mere fact of putting in a Hanson-type system helps improve efficiency."

De La Rue now has three divisions – currency printing, security printing and the manufacture of payment systems equipment. As for future strategy, Mr Marshall said the group would look to expand in "closely adjacent areas", although he would not specify which.

While the disposal and closure programme eliminated much of the trading uncertainty at De La Rue, Mr Robert Maxwell reduced the speculative element in the group's shares last month when Maxwell Communication Corporation placed its 21 per cent stake in the printer with 40 different institutions. The shares were placed at 248p – a £50m loss for MCC – and have since risen to yesterday's closing price of 270p, up 1p.


Jeremy Marshall (left) with chairman Peter Orchard

● **COMMENT**

Mr Marshall claims he merely precipitated the necessary changes at De La Rue, but much has been achieved in the last year and there are more improvements to come. Productivity can be tweaked still further and margins should also increase, while the modest level of debt – £10m of borrowings compared with shareholders' funds of £160m – could be completely eradicated by the year-end. On full-year forecasts of about £64m, the shares are on a prospective p/e of just over 9. Few companies can claim to have survived a cocktail of halved profits, a takeover attempt and Mr Robert Maxwell, and De La Rue shareholders must be grateful for the present calm. In today's economic climate, the apparent solidity of the group's traditional operations (growth of 4 or 5 per cent in the banknote printing market) is an attraction. But before long pernickety shareholders are going to ask themselves where the real growth prospects are. The hardest task for the modest Mr Marshall may lie ahead.

## LIG margins up and profits increase 16%

By Andrew Hill

LONDON INTERNATIONAL Group, the consumer products and services company, increased profits by 16 per cent in the first half of 1990-91 in spite of slower growth in the use of condoms worldwide and a downturn in the UK photoprocessing market.

LIG made £18.8m before tax in the six months to September 30, compared with £16.2m in the equivalent period. Earnings per share rose from 8.27p to 9.4p and the company declared an interim dividend of 3p (2.7p) per share.

Mr Alan Woltz, LIG's chairman and chief executive, said yesterday: "As we expected, the response to the Aids problem, in terms of convincing people that they should use condoms, is hard to sustain."

He said the percentage of young people using condoms had increased rapidly in recent years, but added: "Our view is that that percentage will now go up steadily and slowly depending on how much effort governments put behind [health] education programmes."

LIG's health and personal products division, which includes the manufacture of condoms, surgical gloves and general healthcare products, pushed up operating profits from £10.2m to £11.1m on sales of £111m (£106m).

Volume in the UK photoprocessing market declined in the first half, but LIG, which operates through retail outlets in the UK and mail order in continental Europe, improved its market share. Divisional profits rose to £12.5m (£10.8m) on turnover of £74.7m (£66.6m).

Group turnover rose from £173m to £186m during the half year. Margins were stronger because of a combination of improved mix (increased sales of higher margin products such as condoms) and operating efficiencies, including the closure of three condom factories in Germany, the US and the Netherlands.

Interest payable was almost unchanged at £4.8m (£4.6m), although year-end gearing is expected to be about the same as last year's figure of 90 per cent. "That's a little higher than we would choose," admitted Mr Woltz yesterday, although he pointed out that about two-thirds of borrowings were in the form of a convertible Eurobond issue.

● **COMMENT**

There are no such things as safe stocks in this market, only safer stocks. LIG may be one of them. It is unlikely to outperform other shares in the pharmaceuticals sector, because the group still relies to a greater or lesser extent on people going into shops either to buy condoms and health products, or to get their snapshots processed. At the same time, hard-pressed retailers are reducing stocks to shield themselves from the worst effects of a downturn in the High Street. Compared with other ailing companies, however, the prospect of profits growth in double figures looks pretty healthy. The second half is likely to be more difficult for LIG with adverse currency translation knocking perhaps £500,000 to £1m off analysts' original forecasts, and further pressure on photoprocessing. But the group's shares – up 2p to 219p yesterday – are on a prospective p/e of about 10.5, assuming LIG makes £41m before tax, and the premium to the market is well-deserved.

## AAH checked by higher interest charges

By Andrew Jack

AAH HOLDINGS, the distribution and services conglomerate dominated by healthcare, yesterday reported pre-tax profits unchanged at £16.1m in the six months to September 30.

Operating profits in the Lincoln-based company rose 10 per cent to £18.2m (£16.5m), on turnover up 12 per cent to £546.8m (£490.4m). But a jump in net interest charges to £2.1m (£0.4m) absorbed the additional profits.

The increase was caused by several acquisitions and a decision to bring in to the profit and loss account interest in AAH Meditel, which had previously been capitalised. Net borrowing was £41m (£14m).

"I am pleased with the results in the circumstances," said Mr Bill Pybus, chairman. "The retail climate was particularly difficult for certain of our divisions." He said that all of the divisions remained profitable despite recessionary conditions.

Trading profits fell to £2.8m (£3.3m) on turnover down to £45m (£48.8m) in the builders supplies division, and AAH sold its glass and windows business and the Supamix packaging operation for a total of £6m.

Transport services also suffered, and its activities have been more closely linked to the group's main distribution activities. Trading profit dropped to £0.6m (£0.8m).

In the healthcare services division, however, which represents some 82 per cent of turnover, sales and trading profit continued to grow. An additional 22 retail pharmacies were added in the period, bringing the total to 125.

Turnover soared to £30.4m (£19.6m) in the consumer products division – formerly *electrical products* – which diversified into other product areas. But trading profits were stable at £1.1m (£1m).

Several new land maintenance and waste management contracts boosted sales in environmental services by 19 per cent to £17m (£14.3m), with trading profits up 17 per cent to £2.1m (£1.8m).

Earnings per share dropped slightly to 15.3p (15.9p), as a result of share purchases from retail chemists with the company's franchises.

The board increased the interim dividend to 4.95p *(4.5p) with the alternative of a* scrip dividend. The shares closed up 1p at 304p.

● **COMMENT**

Pleasing results from AAH – but with provisos. AAH's diversity provides some protection from cyclical downswings, although its concentration in the Midlands could delay its recovery. There is a decent underlying performance from healthcare, yet the figures do not reveal the one-off gains from selling product licenses – more than £500,000 according to some estimates. No longer capitalising interest on Meditel is brave, yet it will not start to be profitable before the end of the year at the earliest. On slightly downgraded full-year estimates of £33m in pre-tax profits, the shares are in line with the market on a multiple *of around 10: certainly not for* the short term return.

**DIVIDENDS ANNOUNCED**

| | | | | | | |
|---|---|---|---|---|---|---|
| AAH | int | 4.95 | Mar 25 | 4.5 | - | 13.5 |
| Ambrose Inv Tst | int | 5.82 | Dec 19 | 5.28 | - | 15.36 |
| Body Shop | int | 0.52† | Feb 7 | 0.4125* | - | 0.9125* |
| De La Rue | int | 3.25 | Jan 2 | 3.25 | - | 13.25 |
| East Surrey Wat | int | 3 | Dec 20 | - | - | - |
| Edencorp Leisure | int | 0.2 | Dec 17 | - | - | 0.3 |
| Gt Portland Ests | int | 3.4 | Jan 10 | 3 | - | 9 |
| London Intl | int | 3 | Apr 8 | 2.7 | - | 8.36 |
| Marshalls | int | 1.25 | Apr 8 | 1.25 | - | 5 |
| Mercury Assets | int | 6 | Dec 13 | 5 | - | 22.5 |
| Metro Radio † | fin | 3.6 | Jan 9 | 2.5 | 5 | 3.75 |
| Meyer Intl | int | 4.2 | Feb 8 | 4.2 | - | 16.5 |
| Rentminster◆ | fin | nil | - | 1 | nil | 2 |
| Somic | int | nil | - | 1 | - | 2.5 |
| Unigate | int | 5.7 | Jan 7 | 5.7 | - | 15.3 |
| Warburg (SG) | int | 4.5 | Dec 13 | 4.5 | - | 15 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by *rights and/or acquisition issues.* §USM stock.◆ Dealt in on Third Market.

## Hunterprint financial rescue to be led by Ian MacGregor

By Andrew Bolger

SIR IAN MacGREGOR, the 78-year-old former chairman of the British Steel Corporation and the National Coal Board, is to lead a proposed financial rescue of Hunterprint Group, the troubled specialist printer.

Sir Ian will become chairman of the Corby-based company, which because of what it described as severe financial problems is to raise £13.6m by a rights issue of 150m new ordinary shares at 10p each. Hunterprint shares later closed at 18p, down 2p.

Mr Michael Hunter will step down as chairman but stay on the board as executive director and joint deputy chairman.

Three executive directors, Mr Andrew Zielinski, Mr Douglas Richardson and Mr Alan Titford have agreed to resign from the company on the refi*nancing plan becoming uncon*ditional. Two non-executive directors, Mr Norman Baldock and Ms Lisolette Hunter, will also resign from the board at the same time.

Hunterprint said that since announcing a pre-tax loss of £6.62m in the six months to April 1, the company had continued to make substantial losses. These, together with further extraordinary losses relating to disposals of the financial printing division and the business of Formdesign, had resulted in further deterioration in the company's balance sheet.

*The company's bankers had* indicated they would not be willing to increase their facilities to cover the group's additional borrowing.

The 150m new ordinary shares will represent about 83.9 per cent of the enlarged number of issued ordinary shares. Existing shareholders will be allowed to subscribe for 86.34m new ordinary shares, on the basis of three new ordinary shares for each ordinary share held, and 15 new ordinary shares for each £2 nominal of convertible preference share capital.

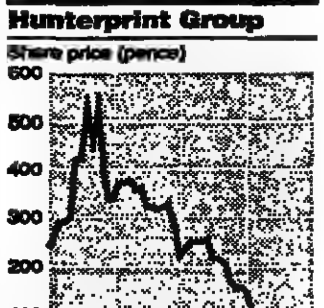
Smith New Court has agreed to place all the 150m new ordinary shares. Among the institutions which have agreed to support the rights issue is First City Great Britain, the investment vehicle of the Belzberg brothers of Canada, which is likely to have a stake of well under 10 per cent.

Under the package, which is subject to approval by an extraordinary general meeting of shareholders, 8.1m of the new shares will be placed with the group's new directors.

Sir Ian will subscribe £500,000 for new shares. Mr Anthony Caplin, who is currently chief executive of First City, will become Hunterprint's chief executive and joint deputy chairman and will subscribe £200,000 for new shares.

Mr Eric Holroyd, who spent 29 years at Bowater and joined Hunterprint four months ago, will become managing director and subscribe £10,000. The group's finance director will be Mr Jonathan Stuart, who is responsible for corporate finance at First City, and will subscribe £100,000.

**Hunterprint Group**





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## COMMODITIES AND AGRICULTURE

# Fuelling east Germany's drive for regeneration

### Western oil companies are jostling to gain market shares, writes Leslie Collitt

LEADING WESTERN oil companies are jostling to gain market shares in east Germany, which is expected to outpace the rest of the country in the growth rate of oil consumption.

But the oil companies are less certain about their prospects in eastern Europe. The region is suffering from a severe cut in oil deliveries from the Soviet Union and cannot afford to pay for alternative supplies of oil from the West.

The World Bank has estimated that an average oil price of $25 a barrel next year would place an added $7bn burden on the aggregate balance of payments of the eastern European countries.

East Germany, on the other hand, has strong financial support from west Germany to shift its energy base from highly polluting lignite to hard coal, gas and oil.

Before unification low-energy lignite was used to generate 80 per cent of the electricity in East Germany. The country used about 94m tonnes of oil equivalent – 62m in lignite – compared with about 265m tonnes in West Germany. But West German GNP was eight times as high as in the east.

While open cast lignite mining scarred the face of Saxony in the south and dangerously lowered water levels, the low energy fuel was responsible for sulphur dioxide emissions ten times as high per head as in west Germany.

Ambitious plans to substitute lignite with nuclear energy have been virtually written off as two of east Germany's existing nuclear power stations have been shut down as unsafe and the remaining two are likely to suffer the same fate.

Hard coal from west Germany is expected to be used for much of electric power generation while natural gas will be widely employed in industry and will compete with oil for heating.

While the west German electricity giants have completed their takeover of power stations in the east, Ruhrgas and BEB Oil & Natural Gas of west Germany have taken 35 per cent and 10 per cent shares respectively in Verbundnetz Gas, the east German natural gas network. British Gas and Gaz de France are also showing strong interest in acquiring a stake in the market.

Mr Rolf Stomberg, Chairman of Deutsche BP and Chief Executive Officer of BP Oil Europe, recently forecast that oil consumption in east Germany would soar from 16m tonnes last year to 27m tonnes by the end of the decade. BP hoped this growth would "overcompensate" for a projected drop in west German oil consumption as a result of rising oil prices.

A sharp rise in the number of cars and trucks – road haulage was suppressed in favour of the railways for 40 years – will provide the main impetus for the rise in oil consumption.

The five new eastern länder of Germany registered a remarkable growth in car registrations, with 200,000 new cars and 400,000 second-hand cars in the first eight months of the year. But east Germany's antiquated service station network run by Minol, the former state oil monopoly, was unable to provide adequate service even before the latest surge in car sales.

In partnership with the now privatised Minol, west Germany's Aral recently opened its first service station in east Berlin on the site of a former Minol station. BP inaugurated the first completely new service station, its largest in Europe, just outside Dresden and only a few hundred yards from a Soviet Army camp. The DM6m (£2.1m), 26-pump filling station even has the obligatory east German queuing lane.

BP was obliged to co-operate with Minol on the project in order to get building permission from the authorities. But in the future it plans to do without Minol and hopes to begin construction of at least four new service stations in the east in coming months.

Interest is concentrated on the southern part of the country, which has the densest population. Until now, BP's presence in eastern Europe consisted of 11 service stations in Hungary on sites owned by AFO, the Hungarian oil company. No decision has been reached on whether to enter the Czechoslovakian market which, after east Germany, had the highest level of motorisation in Comecon.

By the year 2,000 the number of cars in east Germany is expected to double over the 1989 figure of 4m while the number of petrol stations will rise from 1,270 to 3,000. This will require estimated investments of DM 6bn.

Each of the oil companies operating in west Germany hopes to capture a similar share of the market in the east – for example, some 20 per cent for Aral and 11 per cent for BP. The company is currently supplying its Dresden filling station from west Germany but ideally would get supplies from the east German refineries at Leuna and Schwedt as well as the Litvinov refinery across the border in northern Bohemia.

BP signed a letter of intent with Leuna earlier this year to purchase petroleum products and will build a road-loading facility at the refinery for its trucks. But for a number of reasons it is averse to taking a share in the Leuna refinery, preferring – in east Germany as in the west – to be slightly short in refining capacity.

Low energy lignite was responsible for sulphur dioxide emissions ten times higher per head than in West Germany

# Court upholds hormone ban

THE EUROPEAN Court of Justice yesterday upheld the EC's controversial ban on the use of growth-promoting hormones in meat production, ending a three year struggle by the pharmaceutical industry to get the ban lifted, writes Lucy Kellaway in Brussels.

Fedesa, the association which represents Europe's veterinary and pharmaceutical interests argued that the directive had no scientific foundation. It claimed that the ban had the effect of creating a black market in meat produced using hormones, and that implementing the directive put a different burden on different member states.

The court replied that the damage done by hormones could neither be proved nor disproved and said that the ban was necessary to ensure that different rules in member states did not set up barriers that restricted trade and distorted competition.

The ban, imposed at the beginning of 1988, has caused a bitter trade war with the US. It has prevented the US from selling some $100m worth of beef to the EC; in return the US has restricted $100m worth of EC exports of tomatoes and other foods.

# Greek fruit exports up sharply

**By Kerin Hope in Athens**

GREEK EXPORTS of summer fruit soared this year despite a severe drought that cut production by between 15 and 20 per cent.

Foreign exchange earnings also rose sharply to more than Dr37bn (£124m), reflecting the improved quality of Greek peaches and increased exports of high-earning products such as cherries and some grape varieties.

Peach and nectarine exports totalled 76,000 tonnes, up from 37,800 tonnes in 1989. Earnings reached Dr12bn ($80m), according to provisional figures, compared with last year's Dr4.6bn.

Almost 14,000 tonnes of cherries were exported, representing 40 per cent of the total Greek crop, a substantial increase over last year's 5,980 tonnes. Earnings totalled Dr5bn.

"Peach exports in particular were boosted because more private merchants were back in the fruit market after a couple of years' dominance by rather inefficient co-operatives," said Mr Constantine Karagiorgas, head of the Greek fruit and vegetable exporters' association.

An agriculture ministry official added that improved quality also contributed as recent investments by Greek farmers in popular white-fleshed peach varieties and nectarines began to pay off.

Apricot exports showed a 20 per cent increase at 24,500 tonnes with earnings estimated at Dr4.2bn. Table grapes, among the crops worst hit by the drought, improved by only 8 per cent to 102,000 tonnes but earnings doubled to Dr13.7bn.

Water melon exports increased by 30 per cent to 93,000 tonnes as demand rose in Scandinavia, the UK and the Netherlands. Earnings were estimated at Dr2.3bn.

# Go-ahead for Nigerian aluminium plan

**By William Keeling in Lagos**

CONSTRUCTION IS to start on a 180,000-tonnes-a-year integrated aluminium smelter in Akwa Ibom State, Nigeria. The smelter, costing DM2.4bn (£825m), will pour its first metal in 1992 and will be fully operational two years later.

The plant, the first in Nigeria, will be supplied on a turnkey basis by Ferrostaal, a subsidiary of MAN, the German engineering and steel group, which will also participate as an equity partner. Aluscon, a new company, has been formed with a paid-up equity of DM500m split between Ferrostaal (30 per cent) and the Nigerian government (70 per cent).

The process technology will be provided by Reynolds Metals, the second largest US aluminium producer, which will also co-manage the plant for the first 10 years together with Eisenbau Essen, a subsidiary of Ferrostaal. Reynolds has also signed a 10-year agreement to purchase 70 per cent of output on a formula linked to London Metal Exchange prices.

The project is not, however, without controversy. Aluscon confirmed that it was going ahead purely on equity finance. No loan arrangements have been made either with the world bank, commercial banks or export guarantee agencies. Neither has any guarantee been secured for political appropriation.

Diplomatic and banking sources report that those banks which have been approached, such as Deutschebank, have turned down requests for finance.

Perhaps most important, the construction is going ahead without a signed agreement for the supply of gas to feed the proposed 540 megawatt power plant. This is an important part of the overall project, which is expected to sell its surplus power.

The domestic price of gas is a subject of disagreement between the foreign oil-companies which supply the gas and the state-owned Nigerian National Petroleum Corporation which distribute it. A chief executive of one of the foreign oil companies recently described the current price of seventy US Cents per thousand standard cubic feet as "absolutely derisory."

Analysts agree that without a secure gas agreement it is impossible to predict the unit cost of production. Nevertheless, analysts believe the government is commited to the project and will use revenue being earned from higher oil prices to ensure its completion.

# Gulf crisis may boost NZ meat sales

**By Dai Hayward in Wellington**

THE FIRST consignments of New Zealand frozen lamb to Iraq in four years was shipped only a few weeks before the Gulf crisis erupted. It was prepaid and landed at the Jordanian port of Aqaba just as the imposition of United Nations sanctions ended any hope of repeat sales. Kuwait has also been lost to the New Zealand meat exporters because of the crisis, but that was a much smaller market, taking only about 300 tonnes of lamb a year.

However, the overall effect of the Gulf crisis could actually be a boost to exports of New Zealand meat to the Middle East.

The New Zealand Meat Board expects countries bordering the troubled area steadily to increase their imports in coming months to feed their armies, provide for a growing population and build up stocks as a form of "food security."

The Middle East is again becoming an increasingly important market for New Zealand meat, especially lamb. In the 1988-89 season the region bought just over 100,000 tonnes of New Zealand lamb, mutton and beef, including 93,973 tonnes of lamb, 29 per cent of the country's total lamb exports.

New Zealand and Australia dominate meat exports to the Middle East with New Zealand providing 73 per cent of the 138,000 tonnes sold there by the two producer countries last year.

Sales to Iran, which have had a chequered history, seem set to once again become extremely important for New Zealand. A few years ago Iran became New Zealand's largest single lamb customer, with imports of well over 100,000 tonnes. The Gulf War and Iran's economic problems saw sales fall away to zero in the 1989-90 season.

In July this year the New Zealand Meat Marketing Corporation signed a contract to supply up to 40,000 tonnes of lamb to Iran. This will be shipped out of the new season's lamb crop. The price, although not revealed, is said to be "very satisfactory" for New Zealand. Total shipments are likely to exceed the 40,000-tonne level during the coming year with Iran certain to be New Zealand's biggest Middle Eastern customer.

Most of the 10,217 tonnes of New Zealnd meat shipped to Jordan is to fill armed forces contracts and exporters believe increased sales are possible.

Meat exporters believe the Gulf states and Middle East countries will increase meat imports. These could be funded by rising oil prices. Increased population in all Middle East countries will also put pressure on domestic food production and imports of lamb, a traditional Arab food, could benefit.

Markets such as Oman, Libya and Algeria could divert some of their increased oil revenues to pay for increased imports of meat and indeed the two latter countries have already indicated to New Zealand suppliers their wish to do so.

The Middle East has been a big market for live sheep exports with Australia shipping about 6.8m head and New Zealand 500,000 over the past few years. In September New Zealand sent about 100,000 live sheep and lambs to Saudi Arabia. Exporters believe shipments of live sheep will decline in favour of more frozen and chilled meat, particularly because in the current volatile situation live sheep are more vulnerable than frozen carcass.

# India to boost cotton exports

**By R.C. Murthy in Bombay**

INDIA IS to export this year 1m bales (170 kg each) of cotton, including 500,000 bales authorised for export last week in the teeth of opposition from textile industry.

The move to export a record quantity of cotton was announced by Mr Sharad Yadav, the textiles minister, on the eve of collapse of Mr V.P. Singh's administration and reflects the government's anxiety to narrow its balance of payments gap as much as possible.

The Cotton Advisory Board has estimated this year's crop at 12.9m bales, compared with 13.6m forecast by the growers lobby, whose aim is to boost local prices by diverting cotton for export.

The textile industry wants cotton exports to be pegged at 500,000 bales and suggests export of value-added cotton products like yarn.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,670 (1,620-1,670).

**BISMUTH:** European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.75-2.90 (2.80-2.90).

**CADMIUM:** European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.60-1.90 (same).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse, 12.20-12.60 (12.35-13.00).

**MERCURY:** European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 170-185 (same).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.58-2.63 (2.60-2.66).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 35-49 (same).

**VANADIUM:** European free market, min. 98 per cent, $ a lb VO, cif, 2.25-2.35 (2.30-2.40).

**URANIUM:** Nuexco exchange value, $ per lb, UO, 11.45 (same).

**LME WAREHOUSE STOCKS**
(As at Monday's close)
tonnes

| | | |
|---|---|---|
| Aluminium | +275 | to 252,450 |
| Copper | −1,950 | to 177,725 |
| Lead | +675 | to 46,475 |
| Nickel | +1,368 | to 4,362 |
| Zinc | +3,375 | to 64,575 |
| Tin | +90 | to 11,255 |

## WORLD COMMODITIES PRICES

### MARKET REPORT

Copper firmed yesterday on the LME as warehouse stocks declined by 1,950 tonnes when a rise of between 5,000 and 10,000 tonnes had been forecast. However, stocks remain high at 177,725 tonnes and analysts said the market remains unlikely to secure a kerb close above $2,610 a tonne for three month metal, which would be needed to negate bearish sentiment and give a boost to the next chart target around $2,670. Aluminium stocks rose by only 275 tonnes, against expectations of 10,000 tonnes or more. The market closed firmer, underpinned by trade buying. Cash nickel prices rose sharply, widening the premium for cash metal over three-month to $662.50 a tonne from $412.50 on Monday. Dealers cited borrowing (buying cash and selling three-month metal). On the London bullion market platinum rose in the morning following overnight gains in New York futures. By midday yesterday the New York market was holding on to further sharp gains. Analysts attributed the gains to a jump in Japanese stock prices, noting the Nikkei average closed 4.54 per cent ahead. US traders were treating the rise as an indication of future platinum buying.

**Compiled from Reuters**

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $28.40-8.45y | +0.95 |
| Brent Blend (dated) | $33.60-3.70 | +0.95 |
| Brent Blend (December) | $32.90-3.00 | +1.05 |
| W.T.I. (1 pm est) | $33.20-3.25 | +1.25 |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $313-315 | -8.5 |
| Gas Oil | $310-311 | +4.5 |
| Heavy Fuel Oil | $127-129 | +3.5 |
| Naphtha | $312-316 | +16 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $383.25 | +1.25 |
| Silver (per troy oz)♣ | 421c | |
| Platinum (per troy oz) | $418.5 | +12.5 |
| Palladium (per troy oz) | $94.00 | +1.75 |
| Aluminium (free market) | $1625 | +20 |
| Copper (US Producer) | 120c | |
| Lead (US Producer) | 50c | |
| Nickel (free market) | 415c | +5 |
| Tin (Kuala Lumpur market) | 16.34r | +0.02 |
| Tin (New York) | 287c | |
| Zinc (US Prime Western) | 70c | |
| Cattle (live weight)† | 103.39p | *+0.21 |
| Sheep (dead weight)† | 145.39p | *-8.44 |
| Pigs (live weight)† | 75.39p | *-0.30 |
| London daily sugar (raw) | $265.6q | -1.6 |
| London daily sugar (white) | $312.5q | -1.5 |
| Tate and Lyle export price | £243.5 | -1.0 |
| Barley (English feed) | £117.5 | |
| Maize (US No. 3 yellow) | £160.0 | +1.0 |
| Wheat (US Dark Northern) | £81.0u | |
| Rubber (Dec)♥ | 51.00p | |
| Rubber (Jan)♥ | 51.00p | |
| Rubber (KL RSS No 1 Dec) | 241.0m | +0.5 |
| Coconut oil (Philippines)§ | $387.5w | |
| Palm Oil (Malaysian)§ | $335.0u | |
| Copra (Philippines)§ | $237.5t | |
| Soyabeans (US) | £135.0 | +2.0 |
| Cotton "A" Index | 81.65c | -0.50 |
| Wooltops (64s Super) | 308p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Nov. w-Jan/Feb z-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**COCOA – London FOX** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 657 | 651 | 658 | 632 |
| Mar | 702 | 698 | 703 | 695 |
| May | 736 | 730 | 730 | 729 |
| Jul | 762 | 740 | 763 | 745 |
| Sep | 773 | 762 | 774 | 770 |
| Dec | 806 | 789 | 802 | 796 |
| Mar | 827 | 815 | 828 | |

Turnover: 2907 (2905) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 12 874.59 (882.69) 10 day average for Nov 13 877.47 (879.85)

**COFFEE – London FOX** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 553 | 549 | 555 | 551 |
| Jan | 564 | 561 | 565 | 559 |
| Mar | 546 | 544 | 547 | 540 |
| May | 554 | 556 | 559 | 552 |
| Jul | 570 | 571 | 574 | |
| Sep | 588 | 580 | 590 | |

Turnover: 1848 (2254) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 12: Comp. daily 68.89 (69.64). 15 day average 71.55 (71.84)

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 240.00 | 235.00 | 230.20 | |
| Mar | 230.00 | 226.60 | 230.00 | 225.40 |
| May | 228.00 | 224.80 | 228.00 | 223.80 |
| Aug | 230.60 | 227.60 | 227.20 | 226.20 |
| Oct | 228.60 | 227.00 | 228.00 | 225.20 |
| Dec | 229.60 | | 213.00 | |
| Mar | 229.60 | | 228.00 | 224.60 |

| White | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 314.0 | 309.0 | 313.0 | 309.6 |
| Mar | 308.0 | 305.5 | 308.5 | 305.0 |
| May | 308.0 | 305.8 | 308.0 | 306.0 |
| Aug | 310.0 | 308.8 | 309.5 | 307.5 |

Turnover: Raw 1912 (1404) lots of 50 tonnes. White 1335 (1199)
Paris- White (FFr per tonne): Dec 1551 Mar 1534, May 1538, Aug 1556, Oct 1476.

**CRUDE OIL – IPE** ($/barrel)

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 33.10 | 32.10 | 33.30 | 31.90 |
| Jan | 31.85 | 30.64 | 32.00 | 30.60 |
| Feb | 30.60 | 29.05 | 30.60 | 29.40 |
| Mar | 28.55 | 27.83 | 28.55 | 28.35 |
| IPE Index | 32.19 | 34.16 | | |

Turnover: 31420 (28924)

**GAS OIL – IPE** ($/tonne)

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 292.25 | 288.00 | 292.50 | 286.50 |
| Jan | 281.00 | 275.00 | 281.00 | 273.50 |
| Feb | 265.00 | 258.00 | 266.00 | 262.00 |
| Mar | 249.00 | 241.50 | 249.00 | 241.00 |
| Apr | 233.00 | 226.50 | 235.00 | 229.00 |

Turnover 17698 (12686) lots of 100 tonnes

**COTTON**
Liverpool- Spot and shipment sales for the week ending November 9 amounted to 128 tonnes against 177 tonnes in the previous week.

**JUTE**
November/December: c and f Dundee; BTC $530, BWC $550, BTD $480, BWD $ 480: c and f Antwerp; BTC $510, BWC $510, BTD $460,BWD $460.

**POTATOES – BFE** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 148.3 | 148.5 | 148.0 | 146.0 |

Turnover 27 (102) lots of 40 tonnes.

**SOYAMEAL – HI-PRO** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 104.5 | 104.00 | 104.5 | |
| Feb | 117.00 | 116.50 | 117.50 | 117.00 |
| Apr | 119.50 | 119.50 | 119.50 | |
| Jun | 119.50 | 120.00 | 119.50 | |
| Aug | 121.00 | 121.00 | 121.00 | |

Turnover 104 (167) lots of 20 tonnes.

**FREIGHT FUTURES – BFE** ($10/index point)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 1280 | | 1283 | 1270 |
| Jan | 1251 | 1224 | 1255 | 1230 |
| Apr | 1215 | 1205 | 1215 | |
| Jul | 1020 | | 1040 | 1035 |
| BFI | 1280 | 1281 | | |

Turnover 98 (38)

**GRAINS – BFE** (£/tonne)

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 116.15 | | 116.40 | |
| Jan | 119.60 | 119.65 | 120.00 | 119.60 |
| Mar | 123.35 | 123.45 | 123.60 | 123.35 |
| May | 126.80 | 126.75 | 126.90 | 126.80 |

| Barley | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 113.00 | | 113.00 |
| Jan | 116.15 | 116.00 | 116.15 |
| Mar | 119.35 | 119.10 | 119.35 |

Turnover: Wheat 277 (271), Barley 81 (86).
Turnover lots of 100 tonnes.

**PIGS – BFE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 96.2 | 96.6 | 96.5 |
| Jan | 91.5 | | 91.0 |

Turnover 13 (11) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 17,324 lots | |
| Cash | 1627-30 | 1598-602 | 1629/1625 | 1625-6 | | |
| 3 months | 1657-8 | 1628-9 | 1661/1643 | 1655-6 | 1653-5 | 64,412 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 18,919 lots | |
| Cash | 1331-3 | 1308-10 | 1336/1326 | 1325-6 | | |
| 3 months | 1322-3.5 | 1315-6 | 1338/1319 | 1325-6 | 1332-3 | 107,173 lots |
| **Lead (£ per tonne)** | | | | | Total daily turnover 1,851 lots | |
| Cash | 366-8 | 367-9 | | 367.5-8.5 | | |
| 3 months | 371-2 | 373-4 | 374/371 | 373-3.5 | 371-1.5 | 10,802 lots |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 1,575 lots | |
| Cash | 9200-50 | 8700-50 | 9250/9000 | 8950-9000 | | |
| 3 months | 8550-75 | 8300-25 | 8595/8350 | 8550-70 | 8500-50 | 7,844 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 1,416 lots | |
| Cash | 6190-210 | 6200-20 | 6190 | 6190-200 | | |
| 3 months | 6190-210 | 6190-200 | 6200/6180 | 6190-210 | 6200-10 | 8,690 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 3,756 lots | |
| Cash | 1271-3 | 1267-82 | 1272 | 1270-2 | | |
| 3 months | 1258-9 | 1265-7 | 1265/1246 | 1258-9 | 1247-8 | 19,894 lots |

LME Closing £/$ rate:
SPOT: 1.9650 3 months: 1.9575 6 months: 1.9199 9 months: 1.8987

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 383-383½ | 194¾-195¼ |
| Opening | 383-383½ | 194½-195 |
| Morning fix | 383.20 | 194.963 |
| Afternoon fix | 383.50 | 194.987 |
| Day's high | 383¾-384¼ | |
| Day's low | 382¼-382¾ | |

| Coins | $ price | £ equivalent |
|---|---|---|
| Mapleleaf | 392-397 | 199½-202½ |
| Britannia | 392-397 | 199½-202½ |
| US Eagle | 392-397 | 199½-202½ |
| Angel | 392-397 | 199½-202½ |
| Krugerrand | 382-385 | 194¼-195¾ |
| New Sov. | 90-92 | 45¾-47¼ |
| Old Sov. | 90-92 | 45¾-47¼ |
| Noble Plat | 423.50-430.25 | 215.60-219.10 |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 214.05 | 421.00 |
| 3 months | 221.35 | 429.40 |
| 6 months | 227.95 | 437.50 |
| 12 months | 240.85 | 454.30 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Dec | Jan | Dec | Jan |
| 1550 | 100 | 118 | 8 | 20 |
| 1650 | 35 | 58 | 42 | 57 |
| 1750 | 7 | 23 | 113 | 121 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2550 | 87 | 104 | 15 | 43 |
| 2650 | 38 | 54 | 58 | 91 |
| 2730 | 10 | 24 | 127 | 160 |
| **Coffee** | **Jan** | **Mar** | **Jan** | **Mar** |
| 500 | 67 | 55 | 3 | 14 |
| 550 | 29 | 27 | 15 | 36 |
| 600 | 10 | 12 | 46 | 71 |
| **Cocoa** | **Dec** | **Mar** | **Dec** | **Mar** |
| 600 | 57 | | 1 | |
| 650 | 17 | 77 | 11 | 25 |
| 700 | 2 | 49 | 46 | 47 |
| **Brent Crude** | **Jan** | **Feb** | **Jan** | **Feb** |
| 3000 | 310 | | | |
| 3050 | | | | |
| 3100 | | | 235 | |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 386.0 | 382.3 | 0 | 0 |
| Dec | 387.0 | 383.3 | 387.5 | 383.8 |
| Jan | 389.0 | 385.3 | 0 | 0 |
| Feb | 390.7 | 387.0 | 391.3 | 387.5 |
| Apr | 394.2 | 390.4 | 394.1 | 391.0 |
| Jun | 398.0 | 394.2 | 397.8 | 395.8 |
| Aug | 401.5 | 397.7 | 0 | 0 |
| Oct | 405.3 | 401.6 | 0 | 0 |
| Dec | 409.1 | 405.2 | 408.0 | 407.0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 417.6 | 417.6 | 0 | 0 |
| Jan | 419.8 | 411.6 | 423.0 | 417.0 |
| Apr | 424.3 | 415.8 | 425.0 | 421.4 |
| Jul | 428.3 | 419.8 | 428.5 | 427.0 |
| Oct | 432.7 | 424.2 | 432.0 | 431.0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 419.7 | 418.9 | 0 | 0 |
| Dec | 421.2 | 420.5 | 423.0 | 420.0 |
| Jan | 423.2 | 422.5 | 0 | 0 |
| Mar | 430.2 | 429.5 | 432.0 | 429.0 |
| May | 436.2 | 435.5 | 437.5 | 437.0 |
| Jul | 442.1 | 441.4 | 443.5 | 441.0 |
| Sep | 448.0 | 447.3 | 0 | 0 |
| Dec | 455.7 | 456.0 | 457.5 | 457.5 |
| Jan | 459.1 | 458.4 | 0 | 0 |
| Mar | 465.7 | 465.0 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 117.00 | 115.10 | 116.35 | 116.50 |
| Dec | 115.60 | 114.05 | 117.50 | 115.40 |
| Jan | 114.20 | 113.25 | 115.90 | 114.20 |
| Mar | 111.90 | 111.60 | 113.80 | 111.75 |
| Apr | 110.95 | 110.80 | 0 | 0 |
| May | 109.80 | 109.80 | 111.00 | 109.70 |
| Jun | 108.90 | 108.10 | 0 | 0 |
| Jul | 108.00 | 108.35 | 109.30 | 108.80 |
| Aug | 107.10 | 107.40 | 0 | 0 |
| Sep | 106.40 | 106.60 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 33.05 | 31.87 | 33.70 | 32.05 |
| Jan | 32.25 | 31.41 | 32.75 | 31.35 |
| Feb | 31.10 | 30.16 | 31.45 | 30.15 |
| Mar | 29.75 | 28.94 | 30.10 | 28.85 |
| Apr | 28.66 | 27.84 | 28.90 | 27.80 |
| May | 27.70 | 26.94 | 27.80 | 26.94 |
| Jul | 26.50 | 25.69 | 26.80 | 25.70 |
| Aug | 26.00 | 25.28 | 25.96 | 25.60 |
| Sep | 25.55 | 24.89 | 25.82 | 25.00 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 8950 | 8652 | 9040 | 8725 |
| Jan | 8910 | 8649 | 9000 | 8720 |
| Feb | 8680 | 8446 | 8750 | 8600 |
| Mar | 8250 | 8015 | 8305 | 8040 |
| Apr | 7835 | 7595 | 7880 | 7660 |
| May | 7530 | 7265 | 7530 | 7500 |
| Jun | 7310 | 7025 | 7310 | 7180 |
| Jul | 7000 | 6915 | 7000 | 7000 |
| Aug | 7075 | 6940 | 7075 | 7020 |
| Sep | 7200 | 7040 | 7200 | 7200 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 1168 | 1160 | 1178 | 1164 |
| Mar | 1236 | 1224 | 1244 | 1227 |
| May | 1265 | 1254 | 1263 | 1265 |
| Jul | 1308 | 1299 | 1323 | 1307 |
| Sep | 1343 | 1338 | 1350 | 1350 |
| Dec | 1380 | 1375 | 0 | 0 |
| Mar | 1420 | 1415 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 84.10 | 84.40 | 84.80 | 83.00 |
| Mar | 87.75 | 88.45 | 88.70 | 87.15 |
| May | 90.20 | 90.85 | 91.10 | 90.00 |
| Jul | 92.75 | 92.95 | 93.35 | 92.10 |
| Sep | 94.50 | 94.85 | 94.75 | 94.30 |
| Dec | 97.65 | 98.05 | 98.00 | 97.75 |
| Mar | 100.25 | 100.25 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 10.32 | 10.15 | 10.33 | 10.09 |
| May | 10.20 | 10.08 | 10.22 | 10.03 |
| Jul | 10.18 | 10.08 | 10.20 | 10.05 |
| Oct | 10.18 | 10.08 | 10.18 | 10.05 |
| Mar | 10.09 | 10.01 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 73.67 | 72.39 | 74.35 | 72.70 |
| Mar | 73.86 | 72.67 | 74.15 | 73.05 |
| May | 73.85 | 73.32 | 74.45 | 73.70 |
| Jul | 74.00 | 73.62 | 74.45 | 74.00 |
| Oct | 67.88 | 67.80 | 0 | 0 |
| Dec | 65.80 | 65.50 | 65.95 | 65.55 |
| Mar | 66.35 | 66.30 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 115.90 | 115.90 | 116.50 | 115.90 |
| Jan | 116.75 | 116.80 | 117.20 | 115.90 |
| Mar | 117.70 | 117.25 | 118.00 | 116.60 |
| May | 118.00 | 117.60 | 118.40 | 117.00 |
| Jul | 118.00 | 117.50 | 0 | 0 |
| Sep | 118.00 | 117.50 | 0 | 0 |

**INDICES**

**REUTERS (Base: September 18 1931 = 100)**

| Nov 13 | Nov 12 | mnth ago | yr ago |
|---|---|---|---|
| 1699.4 | 1698.2 | 1721.5 | 1876.1 |

**DOW JONES (Base: Dec. 31 1974 = 100)**

| | Nov 12 | Nov 9 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 122.51 | 122.71 | 126.23 | 129.56 |
| Futures | 127.16 | 127.34 | 127.62 | 131.79 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 583/0 | 571/6 | 573/6 | 583/0 |
| Jan | 575/4 | 586/2 | 587/4 | 575/0 |
| Mar | 589/6 | 600/2 | 601/4 | 589/4 |
| May | 603/6 | 614/4 | 615/0 | 603/0 |
| Jul | 616/2 | 625/0 | 626/2 | 615/4 |
| Aug | 618/2 | 625/0 | 627/4 | 618/0 |
| Sep | 609/0 | 616/0 | 618/4 | 609/0 |
| Nov | 611/2 | 615/6 | 616/0 | 611/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 20.21 | 20.84 | 20.82 | 20.19 |
| Jan | 20.48 | 20.91 | 21.10 | 20.46 |
| Mar | 20.92 | 21.36 | 21.51 | 20.91 |
| May | 21.35 | 21.75 | 21.92 | 21.33 |
| Jul | 21.65 | 22.05 | 22.19 | 21.62 |
| Aug | 21.64 | 22.07 | 22.20 | 21.64 |
| Sep | 21.64 | 22.03 | 22.20 | 21.65 |
| Oct | 21.60 | 21.95 | 22.05 | 21.60 |
| Dec | 21.60 | 22.00 | 22.10 | 21.60 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 172.6 | 174.8 | 174.8 | 172.5 |
| Jan | 175.5 | 177.1 | 177.5 | 175.2 |
| Mar | 179.6 | 181.4 | 181.6 | 179.4 |
| May | 182.2 | 184.1 | 184.3 | 182.1 |
| Jul | 185.4 | 186.8 | 187.0 | 185.2 |
| Aug | 186.2 | 187.5 | 188.5 | 186.2 |
| Sep | 184.5 | 186.5 | 187.0 | 184.5 |
| Oct | 184.5 | 185.0 | 186.0 | 184.5 |
| Dec | 186.0 | 187.0 | 186.5 | 186.0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 230/2 | 230/6 | 232/2 | 230/0 |
| Mar | 240/0 | 240/6 | 242/0 | 239/6 |
| May | 247/0 | 247/4 | 249/4 | 246/4 |
| Jul | 252/2 | 253/2 | 254/2 | 252/0 |
| Sep | 251/4 | 252/2 | 253/4 | 251/4 |
| Dec | 252/2 | 252/6 | 253/4 | 252/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 283/0 | 285/0 | 285/4 | 282/6 |
| Mar | 278/0 | 280/0 | 280/4 | 277/6 |
| May | 285/6 | 288/4 | 288/4 | 285/4 |
| Jul | 290/6 | 293/6 | 292/2 | 290/4 |
| Sep | 297/0 | 297/4 | 297/0 | 296/4 |
| Dec | 307/4 | 309/0 | 0 | 0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 78.90 | 78.85 | 78.95 | 78.57 |
| Feb | 75.87 | 75.42 | 75.80 | 75.45 |
| Apr | 75.47 | 75.50 | 75.70 | 75.42 |
| Jun | 73.27 | 73.35 | 73.50 | 73.25 |
| Aug | 71.80 | 71.72 | 72.05 | 71.75 |
| Oct | 71.97 | 71.80 | 72.20 | 71.90 |
| Dec | 72.85 | 72.76 | 72.85 | 72.75 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 54.10 | 53.52 | 54.45 | 53.50 |
| Feb | 52.35 | 51.62 | 52.55 | 51.70 |
| Apr | 48.72 | 48.12 | 48.95 | 48.42 |
| Jun | 52.45 | 51.90 | 52.55 | 52.15 |
| Jul | 52.52 | 52.15 | 52.52 | 52.25 |
| Aug | 50.65 | 50.40 | 50.65 | 50.50 |
| Oct | 45.50 | 45.27 | 45.60 | 0 |
| Dec | 45.40 | 45.27 | 45.40 | 0 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 73.07 | 71.85 | 73.80 | 72.10 |
| Mar | 72.12 | 71.22 | 73.00 | 71.50 |
| May | 71.80 | 70.80 | 72.45 | 71.05 |
| Jul | 70.80 | 69.40 | 71.40 | 70.15 |
| Aug | 68.57 | 67.15 | 69.15 | 67.90 |

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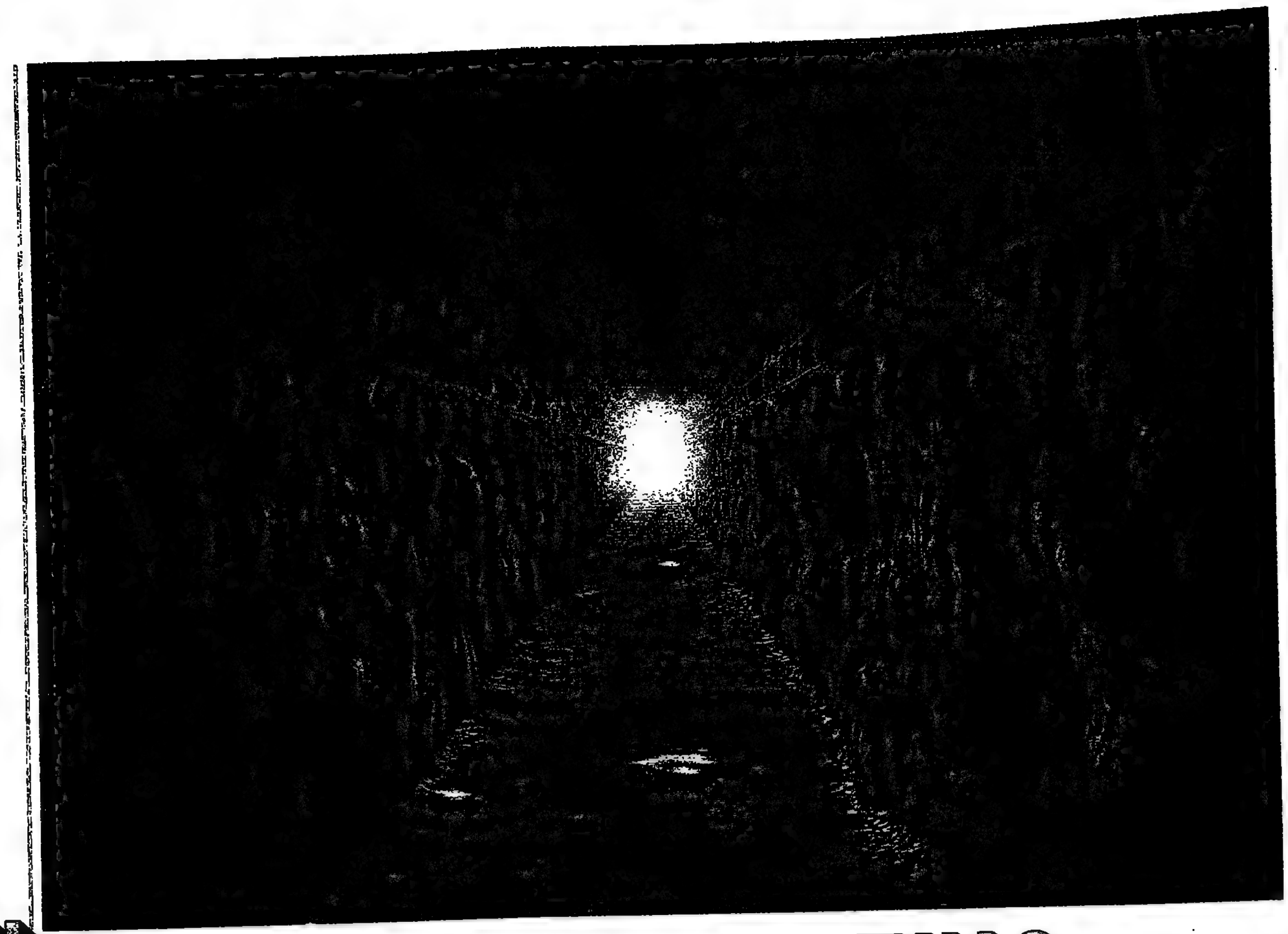

# UNFORTUNATELY THIS IS THE TIME WHEN MANY VENTURE CAPITALISTS PULL OUT.

It is a sad fact but true that a short-term view can prove short-sighted and can leave everyone short-changed. Just when a little faith and a steady hand is all you require, defeat is snatched from the jaws of victory. What makes 3i investment capitalists rather than venture capitalists is that we take a long-term view. Unfortunately, not everyone is willing or able to do this.

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# LONDON STOCK EXCHANGE

# Prices again restrained by sterling

NERVOUSNESS over sterling continued to restrain the UK stock market yesterday and share prices could do little more than mark time around their overnight levels in rather lacklustre trading. London did try to move higher as the time for New York's opening approached but, with the Dow Average more than 14 points off in early deals, the day's gain on the FT-SE Index was soon trimmed to a mere 4.1.

The session opened optimistically in response to strong overnight performances in both New York and Tokyo. But there was no buying follow-through from the institutions and enthusiasm was soon damped down by weakness in the pound, which wavered below DM2.90 at one point in spite of renewed gains in crude oil prices in London. Sterling's weakness was ascribed to the continuing leadership debate inside Britain's Conservative government. The debate was taken further on Monday night in an aggressive speech by Mrs Thatcher, the UK prime minister, in the City of London, and then by a critical parliamentary speech yesterday from Sir Geoffrey Howe, whose recent resignation as deputy prime minister sparked the latest leadership controversy.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Nov 5 | Nov 19 | Dec 10 |
| Option Declarations: | | |
| Nov 15 | Dec 6 | Dec 27 |
| Last Dealings: | | |
| Nov 16 | Dec 7 | Dec 28 |
| Account Day: | | |
| Nov 26 | Dec 17 | Jan 7 |

*New-time dealings may take place from 8.30 am two business days earlier.

An early gain of 19 points on the Footsie was whittled down as the City shied away ahead of Sir Geoffrey's speech. Market confidence was also challenged by another heavy round of corporate downgradings, which featured the UK bank shares in particular, offsetting any benefits from a sturdy performance by financial stocks in New York.

Downgradings among the industrial blue chips included P&O and BET, while on the consumer front Boots were sold heavily by one merchant bank ahead of today's trading figures. Traders were also kept occupied by a £70m two-way trading programme operated across the range of the market's alpha, or blue chip, stocks by Smith New Court, the London marketmaker.

However, a firm exception to the general malaise came among insurance stocks, where an upgrading in property insurance rates by Legal & General helped share prices across the sector. UK insurance stocks have been badly hurt by the prospect of a sharp increase in insurance claims on property suffering subsidence problems following an exceptionally dry summer in the UK. Leading insurers are believed to have already taken the higher claims into their current trading accounts and the market may have discounted to some extent any shocks today when the results from industry leaders are expected.

London tried to pull itself together ahead of the new Wall Street session, in the hope that New York might produce the widely predicted cut in prime rates. However, with no sign of a cut during London hours, the UK market closed near to the day's low, with a net gain of 4.1 taking the FT-SE Index to 2,058.0.

Traders said that the market continued to lack retail support and that prices were finding it hard to establish significant trends in day to day trading. The British government's long-awaited announcement that it wanted to end the duopoly in domestic telecommunications operated by British Telecom and Cable & Wireless brought no surprise: "We knew that; what we wanted was more detail of what they intend to do about it," said Mr Chris Tucker at Carr Kitcat & Aitken.

Seaq volume, swollen by the Smith New Court trading programme, increased to 422.9m shares from Monday's 370.1m.

## Further activity in Racal

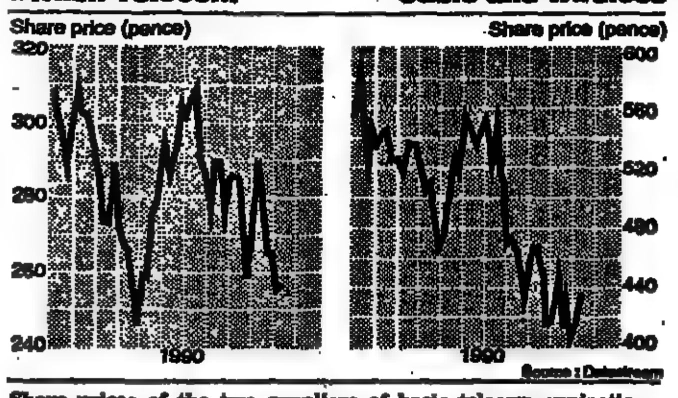
CONFIRMATION that the UK government is to end the existing duopoly in British telecommunications gave some further stimulation to activity in the shares of Racal Electronics and its subsidiary Racal Telecom, the world's largest cellular telephone operator. Plans announced on Monday to break up Racal Electronics astonished both shareholders and stock market analysts.

Another 18m shares in Electronics were traded yesterday, following the huge turnover of 45m shares the previous day in the wake of the break-up announcement. The shares gained 5 to 187p yesterday as investors pondered prospects for the planned buy-out of the rump of Electronics. Racal Telecom jumped 19 to 278p on turnover of 2.4m shares.

The announcement of the government's intention to end the duopoly in UK telecommunications had been widely expected in the stock market and the response yesterday from share prices was muted. British Telecom, after drifting earlier, was up 3 at 260p, while Cable and Wireless turned off to close 6 down at 481p.

British Telecom

Cable and Wireless




Share prices of the two suppliers of basic telecommunications services in the UK, Cable and Wireless, whose subsidiary Mercury Communications has about 3 per cent of the domestic market, and British Telecom, have moved erratically this year as the industry anticipated the onset of wider competition. Both stocks fell in March as political uncertainties cast a cloud over the government's privatisation policy. More recently, BT has fallen and C and W risen after allegations of £5.25bn of overcharging by the global telephone industry. The shares responded coolly yesterday to government plans to end the duopoly policy.

## Contrasting views

Market interpretations varied on British Steel's comment at Monday's post-interim results meeting of the need to keep "the dividend policy under review", given present market conditions in the UK and Europe. Some analysts thought the current slowdown in UK economic activity was not sufficiently serious to threaten expectations of increased dividends, while others believed that this post-privatisation assumption could now be in question.

The re-emergence of overcapacity in Europe, which may cause British Steel to consider a major rationalisation programme, also brought reassessments. Several houses lowered full year profits expectations for the group, with County NatWest moving to £535m from £565m and BZW going even lower to £490m from £575m.

Opposing stances were taken by the two houses, with County recommending clients to buy the stock and BZW issuing sell advice. This division of analytical views was reflected in a strong two-way pull yesterday – turnover amounted to 8.3m – which left the shares marginally softer at 119p.

## Rolls-Royce busy

Completion of an overnight tax-related deal involving 8.7m shares swelled trading volume in Rolls-Royce. Another boost was its inclusion in a multi-stock programme trade carried out yesterday morning by Smith New Court. Investment support was also generated by favourable analysis from Carr Kitcat & Aitken, the broking house.

Analyst Mr Martin Smith lists several positive factors in his assessment of Rolls-Royce. These include continued strong growth from the group's civil aerospace activities, although military demand will gradually decline, a strong cash flow and an order book exceeding £6bn on a conservative valuation.

Additionally, NEI, which the group bought last year, is now starting to see new power generation orders, said the researcher. Some 14m shares eventually changed hands, but the price closed unchanged on balance at 154p.

Wall Street's overnight rise gave a strong boost to several international issues, with Unilever posting a firm gain of 14 to 638p. As concern over the US economic slowdown spreads, American investors appear eager to diversify out of their own markets and have been enthusiastic buyers in Unilever, according to Mr Jeremy Hoare at BZW.

With the US dollar under pressure, Unilever's substantial non-dollar profits – the company makes more than 80 per cent of its trading profits outside the US – are proving highly attractive to American investors.

In a similar move, Reuters inched up 10 to 628p on the back of New York's strength. SmithKline Beecham was not so fortunate, however, and declined 6 to 554p as selling of its equity units, particularly in North America, hit the issue. Concern among US funds about the outlook for equity markets in the Far East has prompted profit-taking in SmithKline Beecham, which has outperformed Wall Street by over 15 per cent, said Mr Ian Moore at UBS Phillips & Drew. Many funds sold SmithKline shares to lock in profits ahead of the year-end, according to another analyst.

Meanwhile, there is some concern over the effect of Astra's expansion in the US on Tagamet sales. While SmithKline Beecham has more or less managed to contain the erosion of Tagamet sales there, Mr Erlig Refsum at Nomura pointed out that "they are still losing market share". First quarter results are due from Astra tomorrow, and the two companies with competing products, SmithKline Beecham and Glaxo, tend to be affected by Astra's results.

Glaxo saw enthusiastic buying earlier yesterday as rumours spread that it was looking to buy into a Canadian biotech company, IFA Biochem, which is developing an anti-AIDS drug. When the market discovered that Glaxo had no intention of taking a stake in IFA Biochem, and that the drug in question had some time to go before likely commercialisation, the shares lost their appeal, but still managed a gain of 5 on the day at 784p.

Leading banks failed to maintain their opening levels and finished with only marginal gains. The firmer start reflected a better performance by US banks on hopes of a reduction in the US Federal funds rate. A sector downgrading by County NatWest pulled prices back from the day's highs. In trimming its profits forecast, the investment bank cautioned that bad debt provisions for this year may be as much as £3bn, compared with an earlier £1.8bn estimate. Barclays touched a high of 351p before receding to 348p for a net rise of 2. Lloyds Bank, 5 higher at one point, also finished 2 up on balance at 277p.

S.G. Warburg shed 6 to 368p after announcing an unchanged interim dividend but a significant fall in profits. The gloomy economic outlook and the continuing Gulf crisis were both cited as factors depressing the company's profitability.

A better than expected third quarter performance by Sedgwick Group, the insurance brokers, pushed the share price 7 firmer to 117p.

Unigate, the dairy group, sustained a steep fall of 19 to 266p after reporting slightly lower mid-term profits and expressing caution over trading prospects. Increased imports of European poultry have caused problems, but the heaviest setback occurred in Unigate's car and truck businesses. Analysts said much depended on the severity of the economic downturn, but they took the precaution of lowering their full year forecasts. Mr Richard Allan of Kleinwort Benson is now looking for annual profits of £98m, but he believes the dividend will be held at 20.4p gross.

Pilkington, a leading maker of glass products, fell 15 to 145p in heavy trading of 10m shares. There were reports of a leading securities house taking a large line of stock on to its books, and the market was also showing nervousness awaiting the release of interim figures due at the beginning of December.

Further consideration of the benefits resulting from the sale of its clinical reagents business to Eastman Kodak, the US photographic and drugs group, pushed Amersham International 11 higher to 288p.

Positive advice from broking house Panmure Gordon helped William Cook, the steel castings group, maintain firmness at 244p.

Leading stores were mostly lower following a handful of downgradings by leading brokers. Burton Group fell 6½ to 69p ahead of tomorrow's release of full year figures and a sell recommendation from Kleinwort Benson, while Boots suffered from a Kleinwort downgrading before today's release of half-year profits, losing 7 to 313p. Body Shop shed 3 to 150p after interim results.

P & O slipped into reverse on market talk that BZW had reduced profit expectations for the group. The shares closed 15 down at 468p after above-average volume of 2.2m.

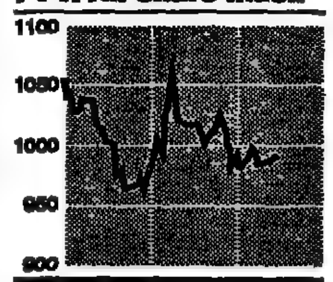
Eurotunnel continued to be out of favour, particularly the new nil-paid package, which dropped 35 to 168p. The units fell 17 to 343p. After market business had closed, Eurotunnel announced a record-breaking week for the distance bored at the UK end of the cross-channel link.

Great Portland Estates provided a note of cheer with increased half-year profits and a higher interim dividend. The company stressed that although the letting market remains "patchy", there is every reason to expect profits in the second half to match those in the first half. Even so, there was no follow-through after an early mark-up of 2 and the share price slipped back to close at 217p for a loss of 3.

Completion of a placing of 20m shares in Fleming International High Income Investment Trust (formerly Fleming Technology Investment Trust) brought the price down a penny to 25½p. The market believed that the stock was placed with institutional investors at around 25½p.

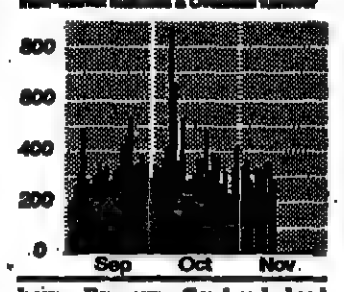
■ Other Market statistics, including the FT-Actuaries share index, Page 24

## FT-A All-Share Index




## Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover




## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (35).
BRITISH FUNDS (18) BUILDINGS (1) ELECTRICALS (1) FOODS (1) INDUSTRIALS (1) Ramco Oil, TRUST (4) WATER(1).
NEW LOWS (137).
CANADIANS (1) BANKS (1) BUILDINGS (4) CHEMICALS (1) STORES (4) ELECTRICALS (12) ENGINEERING (16) FOODS (4) INDUSTRIALS (22) Abbeycrest, American Business Systems, Barrett (Henry), Barry Wehmiller, Campbell & Armstrong, Cassidy Brothers, Clearmark, Co. of Designers, Dinkie Heel, Eurocopy, Faber Prest, Fiorello C. & W., Gleves, Hay (Norman), Johnston Group, Lilleshall, Nestor-BNA, Norfolk House, Polymark Red. Ptg. A, Porter Chadburn, Somic, Stag Furniture, Suter, Tame (John), Tomkins, Do. 8¼pc Cm. Prf., Do. 5.5pc Cnv. Prf., Trafalgar House, UDO, Watkington, Wiltshire, Yale & Valor, INSURANCE (3) LEISURE (3) MOTORS (3) NEWSPAPERS (4) PAPERS (3) PROPERTY (8) TEXTILES (2) TRANSPORT (2) TRUSTS (26) OILS (3) OVERSEAS TRADERS (2) MINES (8) THIRD MARKET (8).

## FINANCIAL TIMES STOCK INDICES

| | Nov 13 | Nov 12 | Nov 9 | Nov 8 | Nov 7 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 80.35 | 80.26 | 80.24 | 80.13 | 80.32 | 84.93 | 84.20 | 74.13 | 127.4 | 49.18 |
| Fixed Interest | 88.46 | 88.48 | 88.33 | 88.40 | 88.43 | 93.57 | 92.91 | 83.00 | 105.4 | 50.53 |
| Ordinary Share | 1593.6 | 1589.7 | 1582.6 | 1574.9 | 1590.8 | 1770.8 | 1926.2 | 1210.4 | 2008.6 | 49.4 |
| Gold Mines | 162.3 | 163.5 | 165.9 | 166.1 | 167.7 | 271.1 | 278.5 | 163.2 | 734.7 | 43.5 |
| FT-SE 100 Share | 2058.0 | 2051.9 | 2046.6 | 2036.2 | 2059.2 | 2214.7 | 2463.7 | 1990.2 | 2463.7 | 986.9 |
| FT-SE Eurotrack 100 | 951.56 | 950.86 | 950.16 | 948.81 | 957.84 | - | - | - | - | - |
| Ord. Div. Yield | 6.02 | 6.04 | 6.05 | 6.08 | 6.01 | 4.70 | | | | |
| Earning Yld % (full) | 12.51 | 12.54 | 12.59 | 12.64 | 12.53 | 11.28 | | | | |
| P/E Ratio (Net) (*) | 9.69 | 9.65 | 9.63 | 9.59 | 9.67 | 10.71 | | | | |
| SEAQ Bargains 4.45pm | 20,201 | 18,724 | 17,835 | 18,087 | 18,229 | 21,750 | | | | |
| Equity Turnover (£m)† | - | 698.62 | 733.57 | 695.09 | 763.95 | 835.41 | | | | |
| Equity Bargains† | - | 17,555 | 16,782 | 18,599 | 18,160 | 21,850 | | | | |
| Shares Traded (ml)† | - | 292.5 | 302.8 | 343.8 | 320.0 | 293.8 | | | | |

Ordinary Share Index, Hourly changes. Day's High 1608.4. Day's Low 1591.9

FT-SE, Hourly changes. Day's High 2071.2. Day's Low 2053.9

FT-SE Eurotrack 100, hourly changes. Day's High 971.16. Day's Low 951.56

| | Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 1606.6 | 1598.8 | 1594.4 | 1598.8 | 1598.8 | 1599.2 | 1595.2 | 1595.0 | 1593.8 |
| FT-SE | 2071.1 | 2063.8 | 2060.1 | 2065.8 | 2065.1 | 2066.1 | 2060.4 | 2059.2 | 2057.2 |
| FT-SE Eurotrack 100 | 971.16 | 970.13 | 966.60 | 966.31 | 964.28 | 964.04 | 962.52 | | |

## GILT EDGED ACTIVITY

| Indices* | Nov 12 | Nov 9 |
|---|---|---|
| Gilt Edged Bargains | 112.0 | 126.8 |
| 5-Day average | 125.6 | 127.5 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

## TRADING VOLUME IN MAJOR STOCKS

| | | | |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

# APPOINTMENTS

## Reorganisation for Coats Viyella

■ COATS VIYELLA is reorganising its thread division into two distinct international businesses, Coats Crafts and Coats Industrial.

Mr Patrick Helmer has been appointed chief executive of Coats Crafts and will be based at the thread division's new European office in Brussels.

Mr David Russell has been made chief executive of Coats Industrial, based at the thread division's headquarters in Glasgow.

■ Mr T.A. Pyne has been appointed deputy group chief executive of LONDON AND MANCHESTER GROUP. He will succeed Mr D.A.L. Jubb as group chief executive on January 1 1992.

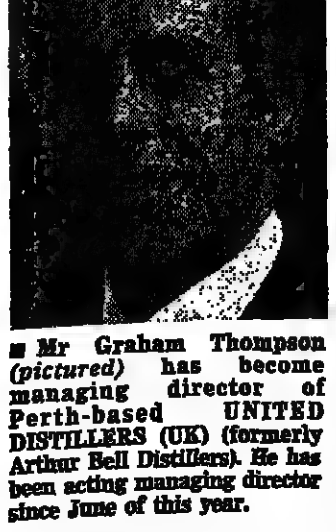
Mr Pyne is currently the group finance director and chairman and managing director of London and Manchester Assurance Company.

Mr Jubb will continue as a director of the group until the annual meeting in June 1992 when he officially retires.

■ Mr Alan Hall has become head of sales and marketing at BENEFICIAL BANK. He was sales director of the retail services division of HFC Bank.

■ At PORTER CHADBURN Ms Susan Williams has become company secretary/corporate legal advisor and Mr David Brocksom group financial controller.

Ms Williams was company solicitor at the Lawson Mardon Group and Mr Brocksom was group financial controller at Sintrom.



■ Mr Graham Thompson (pictured) has become managing director of Perth-based UNITED DISTILLERS (UK) (formerly Arthur Bell Distillers). He has been acting managing director since June of this year.

■ NATIONWIDE ANGLIA BUILDING SOCIETY has appointed Mr H.E. Farley to the board as a non-executive director.

Mr Farley retired recently from the position of deputy chief executive of the Royal Bank of Scotland Group.

■ EURO ISEKI has appointed Mr Steve Orchard as director in charge of market development. He joins from the Bank of Kuwait where he was a manager responsible for project and export finance.

■ Mr David Heather, previously group controller, Royal Insurance, is appointed as assistant managing director of ROYAL LIFE HOLDINGS. He has also joined the board of Royal Life Holdings.

■ EXEL LOGISTICS-TEMPERATURE CONTROLLED SERVICES, the specialist temperature controlled operating company within Exel Logistics, has appointed Mr Ian Veitch as business development director. He was previously managing director with sister company Exel Logistics-Industrial.

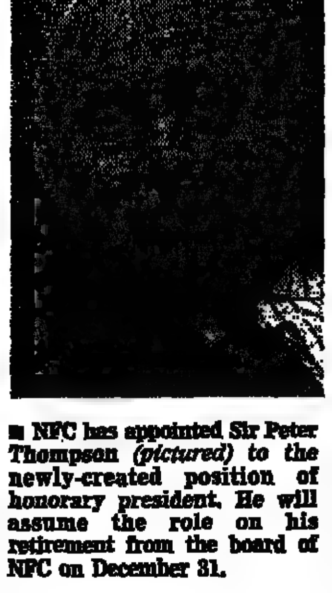
■ T&N, the automotive components, engineering and industrial group, has made Mr David Nash managing director of Coopers Payen, its Slough-based subsidiary, which manufactures automotive gaskets.

He joins the group from Beclawat, where he was also managing director. He replaces Mr Chris Rankin who has left the group.

■ SOVEREIGN MANAGEMENT, a wholly-owned subsidiary of Credit Suisse, Zurich, has appointed Mr Stephen Lainé as chairman. Mr Kevin Clerey has become managing director, Mr Neil Morton has been elected a director and Mr Brian Ellis has been made company secretary.

■ Mr Roy Warrington, retired regional director and general manager of Lloyds Bank's City of London region, has been appointed a non-executive director of ID DATA HOLDINGS.

■ McDONALD'S RESTAURANTS has appointed Mr Terence Haynes as senior vice president, chief financial officer with total responsibility for the UK. He became a vice-president in February 1988.



■ NFC has appointed Sir Peter Thompson (pictured) to the newly-created position of honorary president. He will assume the role on his retirement from the board of NFC on December 31.

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 99 | 97 | Treas 11¾pc 1992 | 99 | | 11.80 | [illegible] |
| 98 | 92 | Funding 5¼pc '87-91 | 98 | + | 5.86 | [illegible] |
| 96 | 89 | Treas. 3pc 1991 | 96 | | 3.10 | [illegible] |
| 98 | 94 | Treas 10pc Cv '91 | 98 | + | 10.11 | [illegible] |
| 99 | 94 | Exch. 11pc 1991 | 99 | | 11.06 | [illegible] |
| 96 | 90 | Treas. 8pc 1991 | 96 | + | 8.28 | [illegible] |
| 101 | 97 | Treas 12¾pc 1992 | 101 | + | 12.60 | [illegible] |
| 98 | 92 | Treas 10pc 1992 | 98 | + | 10.19 | [illegible] |
| 95 | 89 | Treas. 8pc 1992 | 95 | + | 8.36 | [illegible] |
| 98 | 93 | Treas 10¼pc Cv 1992 | 98 | + | 10.64 | [illegible] |
| 90 | 82 | Treas. 3pc 1992 | 90 | + | 3.30 | [illegible] |
| 101 | 95 | Exch. 12¼pc '92 | 101 | + | 12.12 | [illegible] |
| 104 | 98 | Exch 13½pc 1992 | 103 | + | 13.06 | [illegible] |
| 93 | 86 | Treas 8¾pc 1993 | 93 | + | 8.80 | [illegible] |
| 97 | 90 | Treas 10pc 1993 | 97 | + | 10.27 | [illegible] |
| 103 | 96 | Treas 12½pc 1993 | 102 | + | 12.19 | [illegible] |
| 89 | 82 | Funding 6pc 1993 | 89 | | 6.69 | [illegible] |
| 107 | 99 | Treas 13¾pc 1993 | 106 | + | 12.97 | [illegible] |
| 92 | 84 | Treas. 8½pc 1994 | 92 | + | 9.20 | [illegible] |
| 111 | 102 | Treas 14½pc 1994 | 108 | + | 13.31 | [illegible] |
| 107 | 99 | Exch 13½pc 1994 | 106 | + | 12.73 | [illegible] |
| 97 | 88 | Treas. 10pc Ln. 1994 | 96 | + | 10.36 | [illegible] |
| 104 | 96 | Exch. 12½pc 1994 | 101 | + | 12.08 | [illegible] |
| 93 | 85 | Treas 9pc 1994 | 92 | + | 9.69 | [illegible] |
| 103 | 94 | Treas 12pc 1995 | 102 | + | 11.73 | [illegible] |
| 81 | 73 | Exch 3pc Gas 90-95 | 81 | | 3.70 | [illegible] |
| 97 | 88 | Exch. 10¼pc 1995 | 96 | + | 10.64 | [illegible] |

Five to Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 108 | 97 | Treas 12¼pc 1995 | 105 | + | 12.06 | [illegible] |
| 112 | 101 | Treas. 14pc '96 | 109 | + | 12.83 | [illegible] |
| 92 | 82 | Treas. 9pc 1992-96 | 91 | + | 9.86 | [illegible] |
| 119 | 107 | Treas 15¼pc 1996 | 114 | + | 13.27 | [illegible] |
| 110 | 99 | Exch 13¼pc 1996 | 107 | + | 12.34 | [illegible] |
| 96 | 85 | Conversion 10pc 1996 | 94 | + | 10.60 | [illegible] |
| 112 | 98 | Treas 13¼pc 1997 | 107 | + | 12.33 | [illegible] |
| 99 | 87 | Exch 10½pc 1997 | 95 | + | 10.96 | [illegible] |
| 91 | 79 | Treas 8¾pc 1997 | 87 | + | 9.95 | [illegible] |
| 121 | 106 | Exch 15pc 1997 | 115 | + | 12.99 | [illegible] |
| 95 | 83 | Exch. 9¾pc 1998 | 91 | + | 10.61 | [illegible] |
| 81 | 70 | Treas 6¾pc 1995-98 | 79 | + | 8.54 | [illegible] |
| 126 | 110 | Treas. 15½pc '98 | 119 | + | 12.94 | [illegible] |
| 107 | 93 | Exch. 12pc 1998 | 102 | + | 11.71 | [illegible] |
| 95 | 82 | Treas 9½pc 1999 | 90 | + | 10.51 | [illegible] |
| 109 | 94 | Exch. 12¼pc 1999 | 103 | + | 11.79 | [illegible] |
| 99 | 85 | Treas. 10½pc 1999 | 95 | + | 11.06 | [illegible] |
| 98 | 84 | Conversion 10¼pc 1999 | 93 | + | 10.98 | [illegible] |
| 92 | 78 | Conversion 9pc 2000 | 87 | + | 10.34 | [illegible] |
| 114 | 98 | Treas. 13pc 2000 | 107 | + | 12.06 | [illegible] |
| 97 | 82 | Treas 10pc 2001 | 91 | + | 10.93 | [illegible] |
| 117 | 102 | Treas. 14pc '98-01 | 111 | + | 12.59 | [illegible] |
| 96 | 81 | Treas 9¾pc 2002 | 89 | + | 10.90 | [illegible] |
| 119 | 102 | Treas. 13¾pc 2000-03 | 111 | + | 12.31 | [illegible] |
| 99 | 82 | Treas 10pc 2003 | 90 | + | 11.02 | [illegible] |
| 106 | 90 | Treas. 11½pc 2001-04 | 99 | + | 11.61 | [illegible] |
| 99 | 83 | Treas. 10pc 2004 | 90 | + | 11.01 | [illegible] |
| 56 | 45 | Funding 3½pc '99-04 | 51 | + | 6.83 | [illegible] |
| 96 | 79 | Conversion 9½pc 2004 | 87 | + | 10.87 | [illegible] |
| 96 | 79 | Conversion 9½pc 2005 | 87 | + | 10.87 | [illegible] |

Over Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 117 | 98 | Treas. 12½pc 2003-05 | 107 | + | 11.68 | [illegible] |
| 84 | 69 | Treas. 8pc 2002-06 | 76 | + | 10.49 | [illegible] |
| 111 | 93 | Treas. 11¾pc 2003-07 | 102 | + | 11.50 | [illegible] |
| 89 | 73 | Treas 8½pc 2007 | 80 | + | 10.55 | [illegible] |
| 125 | 105 | Treas. 13½pc '04-08 | 114 | + | 11.83 | [illegible] |
| 94 | 77 | Treas. 9pc 2008 | [illegible] | + | 10.63 | [illegible] |
| 85 | 69 | Treas 8pc 2009 | 76 | + | 10.44 | [illegible] |
| 94 | 77 | Conv 9pc Ln 2011 | 84 | + | 10.67 | [illegible] |
| 63 | 50 | Treas. 5½pc 2008-12 | 55 | + | 9.85 | [illegible] |
| 83 | 67 | Treas. 7¾pc 2012-15 | 73 | + | 10.58 | [illegible] |
| 122 | 100 | Exch. 12pc '13-'17 | 109 | + | 11.01 | [illegible] |

Undated

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 41 | 33 | Consols 4pc | 36 | ..... | 11.11 | |
| 36 | 29 | War Loan 3½pc | 32 | ..... | 10.94 | |
| 61 | 55 | Conv. 3½pc '61 Aft. | 57 | + | 6.12 | |
| 32 | 26 | Treas. 3pc '66 Aft. | 27 | | 10.90 | |
| 25 | 20 | Consols 2½pc | 23 | + | 10.87 | |
| 25 | 20 | Treas. 2½pc | 22 | ..... | 10.97 | |

## BRITISH FUNDS – Contd

Index-Linked

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## INT. BANK AND O'SEAS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## CORPORATION LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## COMMONWEALTH & AFRICAN LOANS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## LOANS

Building Societies

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Public Board and Ind.

| | | | | | | |
|---|---|---|---|---|---|---|
| 55 | 42 | Met. Wtr. 3pc 'B' | 53 | | 5.66 | 9.13 |

## FOREIGN BONDS & RAILS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMERICANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMERICANS – Contd

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 21½ | 5⅛ | Chase Manhattan $12½ | [illegible] | [illegible] | $1.20 | - | 22.3 |
| 19¼ | 524p | Chem. Banking Corp $1 | [illegible] | [illegible] | $1.00 | - | 8.3 |
| 12½ | 5½ | Chrysler $6¼ | [illegible] | [illegible] | $1.20 | - | 10.6 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## CANADIANS

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on next page

# LONDON SHARE SERVICE

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## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13⅞ | £9 | ABN Amro Fl5 | £9½ | +⅛ | Q28% | 2.1 | 8.8 | 5.3 |
| 303 | 148 | ANZ $A1 | 151 | –1 | 44c | 1.4 | 11.8 | 6.0 |
| 233 | 172 | Abbey National 10p | 238 | +1 | 5.7 | 4.3 | 3.6 | 8.5 |
| *274 | 128 | Allied Irish Ord | 136 | –1 | †Q40% | 3.3 | 6.8 | 6.0 |
| 85 | 47 | Anglo Irish | 53 | ..... | †Q18.7% | 2.7 | 7.9 | 7.6 |
| 93 | 61 | Ansbacher (H.) 1p | 61 | ..... | 2.5 | 1.3 | 5.5 | 17.6 |
| £71¼ | £32½ | Bancaire Cie Fr100 | £45⅞ | +1⅞ | Q124% | – | 2.9 | – |
| £22⅛ | £13⅛ | Banco Bilbao Viz | £14⅛ | +⅛ | Q49.1% | 2.7 | 5.7 | 9.7 |
| 286 | 135 | Bank Ireland Ir£1 | 135 | –3 | Q14.7% | 2.9 | 9.7 | 4.7 |
| £19½ | £18 | Bank Leumi | £19½ | ..... | – | – | – | – |
| 351 | 320 | Bank Leumi (U.K.) | 350 | ..... | †15.0 | – | 5.7 | – |
| 129½ | 100 | Bank Scotland | 104 | ..... | †4.55 | 3.4 | 5.8 | 6.6 |
| 100¼ | 83¼ | Do. 9¼pc Irrd Pf | 95½ | +½ | 9¼% | – | 12.9 | – |
| 54 | 39 | Bank of Wales | 42 | ..... | 2.8 | 0.8 | 8.9 | (20.2) |
| 428 | 290 | Barclays £1 | 348 | +2 | †h19.57 | 3.5 | 7.5 | 4.8 |
| 22 | 10 | Beachmark 20p | 10 | ..... | 0.75 | – | 10.0 | – |
| 335 | 238 | Brown Shipley £1 | 245 | ..... | 12.0 | 2.2 | 6.5 | 7.9 |
| *435 | 285 | Cater Allen £1 | 351 | ..... | h24.5 | – | 9.3 | – |
| 179 | 29 | Chancery | 37 | ..... | 9.0 | 2.7 | – | 1.5 |
| £23¾ | £14 | Commerzbk DM10 | £14½ | ..... | Q18% | – | 4.3 | – |
| £13⅛ | 620 | Dai Ichi KBk Y50 | 680 | +1 | Q17% | 6.2 | 0.5 | 32.1 |
| *£31⅜ | £19⅝ | Deutsche Bk DM50 | £20⅝ | +⅝ | Q28% | – | 2.3 | – |
| £20⅝ | £14⅝ | Espirito Santo | £15⅝ | ..... | Q75c | 5.1 | 2.4 | 8.0 |
| 253 | 166 | First Nat. Fin. 10p | 179 | –2 | 13.0 | 2.1 | 9.7 | 6.2 |
| 121 | 82 | FNFC 6.3pc Cv. Pf | 91 | ..... | 6.3% | – | 9.2 | – |
| £13⅛ | 633 | Fuji Bank Y50 | 764 | –3 | Q17% | 6.9 | 0.4 | 32.5 |
| 325 | 262 | Gerrard & National | 284 | –2 | 19.0 | – | 8.9 | – |
| 154 | 85 | Guinness Mahon 10p | 86 | ..... | 2.1 | – | 3.3 | – |
| 328 | 194 | Hambros 20p | 221 | –2 | 11.5 | – | 6.9 | – |
| 128 | 88 | Do. 7.5pc Cv Pf | 94 | ..... | 7½% | – | 10.6 | – |
| 53½ | 29 | HK & Shang. HK$2.50 | 38 | +1 | †hQ38c | – | 8.5 | – |
| 478 | 373 | Joseph (Leo) £1 | 378 | +5 | 15.85 | – | 5.6 | – |
| 150 | 105 | King & Shaxson 20p | 118 | +2 | 10.25 | – | 11.8 | – |
| 422 | 262 | Kleinwort Benson Grp | 271 | –5 | 16.0 | 2.5 | 7.9 | 6.4 |
| 642 | 316 | Kyowa Bank Y50 | 371 | ..... | Q14% | ♦ | 0.8 | ♦ |
| 316 | 220 | Lloyds £1 | 277 | +2 | †13.3 | 2.6 | 6.4 | 6.5 |
| 56 | 44 | Lon. Scot. Bank 10p | 47 | ..... | †2.4 | 1.9 | 6.8 | 9.3 |
| 404 | 176 | Midland £1 | 198 | ..... | †18.0 | 2.6 | 12.6 | 3.9 |

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INSURANCES

## LEISURE

## MOTORS, AIRCRAFT TRADES

Commercial Vehicles

# LONDON SHARE SERVICE

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## MOTORS, AIRCRAFT TRADES — Contd

### Components

| 1990 High | Low | Stock | Price | + or − | Div Net | Cvr | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 458 | 420 | Abbey Panels | 453 | | 3.5 | 10.8 | 1.0 | 12.0 |
| 228 | 135 | Airflow Streamlines | 148xd | | 6.0 | 3.0 | 5.7 | 7.8 |
| 190 | 145 | Bostrom 5p | 157 | | †5.75 | 3.1 | 4.9 | 7.1 |
| 266 | 160 | Dowty 50p | 170 | +2 | 9.0 | 2.1 | 7.1 | 8.2 |
| 297 | 117 | FR Group | 118xd | +1 | 6.37 | 3.1 | 7.2 | 6.0 |
| 135 | 55 | Kwik-Fit Hldgs. 10p | 79 | | †2.4 | 2.3 | 4.1 | 14.6 |
| 174 | 102 | Lucas Inds. | 122xd | | 7.0 | 2.5 | 7.7 | 6.0 |
| 44 | 14 | Do. Warrants | 15½ | +1 | — | — | — | — |
| 80 | 60 | Mid-States 10p | 61 | | s20.75 | — | 1.6 | 51.1 |

### Garages and Distributors

| 1990 High | Low | Stock | Price | + or − | Div Net | Cvr | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 28 | 16 | Alexanders 10p | 16 | | 1.0 | 3.0 | 8.3 | 4.8 |
| 135 | 78 | Appleyard 10p | 90 | | †7.8 | 2.4 | 11.6 | 4.2 |
| 110 | 55 | Blatchley Motor 20p | 60 | | †7.5 | 1.9 | 16.7 | 4.3 |
| 568 | 410 | Caffyns 50p | 410 | | 11.5 | 0.3 | 3.7 | — |
| 121 | 98 | Central Motor Auctns. | 98 | −5 | †3.25 | 3.2 | 4.4 | 9.3 |
| 61 | 26 | Cook (D.C.) Hldgs. | 30 | | 1.0 | 5.3 | 4.4 | 5.7 |
| 89 | 53 | Cowie (T.) 5p | 50 | | 4.2 | 1.5 | 11.2 | 6.9 |
| 95 | 56 | Dagenham Motors 10p | 73 | | †5.25 | 2.8 | 9.6 | 5.0 |
| 98 | 75 | Davenport Vernon 10p | 76 | | 3.5 | 3.6 | 6.1 | 5.3 |
| 29 | 16 | Equity & Gen 5p | 20 | | †1.5 | 1.7 | 10.0 | (7.1) |
| 247 | 163 | Evans Halshaw | 184 | +3 | 11.25 | 2.4 | 8.1 | 6.8 |

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY — Contd

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## INVESTMENT TRUST

## INVESTMENT TRUST — Contd

## FINANCE, LAND, ETC

## WATER

## OIL AND GAS

## OIL AND GAS — Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES — Contd

### Tins

### Miscellaneous

## THIRD MARKET

## NOTES

## REGIONAL & IRISH STOCKS

### IRISH

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

### Property

### Oils

### Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

**Guide to pricing of Authorised Unit Trusts**

Compiled with the assistance of Lautro

**INITIAL CHARGE:** [illegible] This charge is included in the price of units.

**OFFER PRICE:** [illegible] The price at which units are bought by investors.

**BID PRICE:** [illegible] The price at which units are sold back by investors.

**CANCELLATION PRICE:** [illegible]

**TIME:** [illegible]

**HISTORIC PRICING:** [illegible]

**FORWARD PRICING:** [illegible]

**SCHEME PARTICULARS AND REPORTS:** [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

# FT MANAGED FUNDS SERVICE

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| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Target Trust Mngrs Ltd (1400)F** | | | | | | |
| Target Hse, Gatehouse Rd, Aylesbury, Bucks. | | | | | | |
| Admin: 0296 394000 Dealing: 0296 372156 | | | | | | |
| American Eagle | 5 | 57.94 | 57.94 | 61.85 | +0.47 | 1.24 |
| Australia | 5 | 5.328 | 5.328 | 5.703 | +0.05 | 4.68 |
| Equity | 5 | 137.4 | 137.4 | 147.5 | +0.4 | 5.22 |
| Euro Spec Sits | 5 | 97.65 | 97.65 | 104.9 | +0.3 | 0.46 |
| Financial | 5 | 24.17 | 24.34 | 26.18 | +0.18 | 5.70 |
| Global Opps Inc | 5 | 56.69 | 56.69xd | 60.89 | +0.54 | 0.00 |
| Global Opps Acc | 5 | 57.92 | 57.92 | 62.21 | +0.60 | 0.00 |
| Gold & Gen Inc | 5 | 34.47 | 34.47xd | 37.04 | -0.02 | 1.08 |
| Gold & Gen Acc | 5 | 64.43 | 64.43 | 69.25 | -0.04 | 1.08 |
| Income | 5 | 85.76 | 85.76 | 92.20 | +0.70 | 6.94 |
| Japan & General | 5 | 110.5 | 110.5 | 118.8 | +2.9 | 0.00 |
| Preference Share | 5 | 17.28 | 17.28xd | 18.60 | +0.05 | 14.26 |
| UK Capital | 5 | 75.52 | 75.52 | 81.06 | +0.19 | 4.31 |
| World Income | 5 | 52.62 | 52.62xd | 56.49 | +0.46 | 6.75 |
| Worldwide Capital | 5 | 143.7 | 143.7 | 154.6 | +0.8 | 3.54 |
| **Templeton Unit Trust Managers Ltd (1200)F** | | | | | | |
| Atholl Crescent, Edinburgh EH3 8HA 031 228 3932 | | | | | | |
| Global Growth Acc | 6 | 90.74 | 91.41 | 97.77 | +1.85 | 3.71 |
| Global Growth Inc | 6 | 87.18 | 87.83 | 93.93 | +1.77 | 3.71 |
| Global Balanced Acc | 6 | 91.98 | 92.42 | 98.84 | +2.74 | 4.90 |
| Global Balanced Inc | 6 | 85.69 | 86.10 | 92.09 | +1.63 | 4.90 |
| Value Tst Acc | 6½ | 66.51 | 67.50 | 72.19 | +0.7 | 4.78 |
| Value Tst Inc | 6½ | 64.85 | 65.81 | 70.39 | +0.68 | 4.78 |
| Intl Per & Cr Uts Inc ♥ | 2 | 84.90 | 85.45 | 89.71 | — | 4.07 |
| Intl Per & Cr Uts Acc ♥ | 2 | 81.93 | 82.45 | 86.57 | — | 4.07 |
| **Thornhill Unit Trust Managers Ltd (1200)F** | | | | | | |
| 28 St John's Sq, London EC1M 4AE 071-251 6767 | | | | | | |
| Capital | 5 | 44.69 | 45.01 | 47.88 | — | — |
| Overseas | 5 | 39.17 | 39.31 | 41.81 | — | — |
| **Thornton Unit Managers Ltd (1000)F** | | | | | | |
| 33 Cavendish Sq., London W1M 0DH 071-493 7262 | | | | | | |
| Dealing 071-493 8545 | | | | | | |
| American Opps | 5 | 40.39 | 40.39 | 43.07 | +0.73 | 0.26 |
| (Accum Units) | 5 | 41.56 | 41.56 | 44.52 | +0.75 | 0.26 |
| Cash | 0 | 51.00 | 51.00 | 51.00 | +0.08 | 14.08 |
| Accum Units | 0 | 51.00 | 51.00 | 51.00 | +0.08 | 14.08 |
| European Opps ♣ | 5 | 56.68 | 56.68 | 60.45 | +0.10 | 0.00 |
| (Accum Units) ♣ | 5 | 56.99 | 56.99 | 60.78 | +0.10 | 0.00 |
| Far Eastern Opps | 5 | 98.36 | 98.36 | 104.90 | +1.56 | 0.00 |
| (Accum Units) | 5 | 98.99 | 98.99 | 105.57 | +1.57 | 0.00 |
| Golden Opps | 5 | 25.72 | 25.72 | 27.29 | +0.07 | 0.00 |
| (Accum Units) | 5 | 26.46 | 26.46 | 28.07 | +0.07 | 0.00 |
| Intl Hi-Yield | 5 | 47.32 | 47.32 | 50.38 | +0.45 | 5.47 |
| (Accum Units) | 5 | 51.58 | 51.58 | 54.92 | +0.49 | 5.47 |
| Sanyo Japan Tst | 5 | 57.90 | 57.90 | 61.72 | +1.38 | 0.00 |
| (Accum Units) | 5 | 57.90 | 57.90 | 61.72 | +1.38 | 0.00 |
| Kangaroo | 5 | 23.06 | 23.06 | 24.47 | +0.07 | 1.71 |
| (Accum Units) | 5 | 24.07 | 24.07 | 25.55 | +0.08 | 1.72 |
| Little Dragons | 5 | 34.01 | 34.01 | 36.27 | +0.39 | 0.00 |
| (Accum Units) | 5 | 34.01 | 34.01 | 36.27 | +0.39 | 0.00 |
| Oriental Income | 5 | 27.68 | 27.68 | 29.52 | +0.48 | 5.92 |
| (Accum Units) | 5 | 32.40 | 32.40 | 34.55 | +0.49 | 5.92 |
| Tiger | 5 | 109.30 | 109.30 | 116.57 | +1.04 | 0.95 |
| (Accum Units) | 5 | 111.39 | 111.39 | 118.80 | +1.07 | 0.95 |
| UK Hi-Yield | 5 | 33.87 | 33.87 | 36.12 | +0.04 | 6.53 |
| (Accum Units) | 5 | 39.63 | 39.63 | 42.26 | +0.04 | 6.33 |
| UK Smllr Cos | 5 | 42.14 | 42.96 | 45.97 | -0.29 | 0.92 |
| (Accum Units) | 5 | 45.91 | 46.83 | 50.09 | -0.30 | 0.92 |
| **Three Counties Asset Mngmt Ltd (1430)F** | | | | | | |
| Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034 | | | | | | |
| Balanced Portfolio | 6 | 83.62 | 85.36 | 90.48 | +0.5 | 6.20 |
| Cash Deposits ♥ | | 103.21 | 103.21 | 103.21 | +0.03 | 14.80 |
| **Timberlake Trust Mngrs Ltd (0900)F** | | | | | | |
| 1 White Hart Yard, London SE1 1NX 071-407 5966 | | | | | | |
| Portfolio | 2 | 86.88 | 86.88 | 89.71 | -0.64 | 2.99 |
| **Touche Remnant Unit Tst Mngt Ltd (1600)F** | | | | | | |
| Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250 | | | | | | |
| 4 Hourly Pricing – 12 Noon Historic | | | | | | |
| TR American Grth | 5¼ | 33.81 | 33.81 | 36.06 | +0.64 | 0 |
| TR Eur Sp Sits Acc | 5¼ | 34.00 | 34.00 | 36.26 | +0.19 | 0 |
| TR Eur Sp Sits Inc | 5¼ | 33.03 | 33.03xd | 35.23 | +0.19 | 0 |
| TR Far East Opps Inc | 5¼ | 15.37 | 15.37 | 16.44 | +0.18 | 0 |
| TR Far East Opps Acc | 5¼ | 15.37 | 15.37 | 16.44 | +0.20 | 0 |
| TR General Growth | 5¼ | 65.68 | 65.68 | 69.87 | +0.31 | 3.06 |
| TR Global Tech | 5¼ | 56.10 | 56.10 | 59.84 | +1.47 | 0 |
| TR Income Growth | 5¼ | 73.69 | 73.69 | 78.59 | +0.29 | 4.93 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Expt Nov 13 | 37.2 | 38.6 | +0.40 | 2.02 |
| Euro Expt Nov 13 | 47.9 | 50.2 | +0.40 | 2.55 |
| Fixed Int Ex Nov 13 | 44.1 | 45.2 | +0.10 | 10.54 |
| Japan Expt Nov 13 | 40.4 | 42.1 | — | 0.87 |
| Managed Ex Nov 8 | 57.2 | 59.6xd | — | 0.57 |
| SE Asia Expt Nov 13 | 54.3 | 56.5xd | +0.50 | 4.79 |
| Sm Cos Expt Nov 13 | 28.0 | 29.4xd | -0.30 | 3.23 |
| UK Eqty Ex Nov 13 | 35.2 | 36.9 | -0.50 | 5.46 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Nov 6 | 589.8 | 632.5xd | — | 5.89 |
| Do Accum | 656.0 | 703.2 | — | 5.89 |
| Int Expt Nov 7 | 140.7 | 142.8xd | — | 3.30 |
| UK Index Nov 6 | 960.6 | 982.0 | — | 6.06 |
| Do Accum | 1016 | 1037 | — | 6.06 |
| Convertible Nov 12 | 77.13 | 79.77 | — | 10.10 |
| World ex UK Index Nov 12 | 632.9 | 641.4 | -12.6 | 2.16 |
| Do Accum | 639.13 | 647.72 | -12.7 | 2.16 |
| Japan Index Nov 12 | 506.10 | 513.50 | -94.9 | 0.55 |
| Do Accum | 507.1 | 514.4 | -94.9 | 0.55 |
| USA Index Nov 12 | 735.5 | 740.2 | +12.8 | 3.53 |
| Do Accum | 745.9 | 750.5 | +13.0 | 3.53 |
| Europe ex UK Index Nov 12 | 782.8 | 802.1 | -4.3 | 3.13 |
| Do Accum | 795.0 | 814.5 | -4.3 | 3.13 |
| Pacific ex Jap Index Nov 12 | 709.1 | 729.7 | +2.4 | 5.52 |
| Do Accum | 722.5 | 743.4 | +2.5 | 5.52 |
| Managed Exempt Nov 11 | 87.72 | 89.32 | — | 5.38 |
| American Exempt Nov 7 | 94.41 | 95.97 | — | 4.65 |
| European Exempt Nov 7 | 99.09 | 100.4 | — | 4.43 |
| Japan Exempt Nov 7 | 102.7 | 103.9 | — | 0.84 |
| Pacific Basin Nov 7 | 95.09 | 97.56 | — | 4.46 |
| **NM Rothschild Asset Management Ltd** | | | | |
| NC Managed | 51.6 | 54.9xd | +0.5 | 4.32 |
| NC Property | 174.3 | 191.2 | — | — |
| **J. Rothschild Fund Managers Ltd** | | | | |
| Intl Exempt Accum | 118.3 | 119.2xd | — | 4.32 |
| **Stewart Ivory & Co Ltd** | | | | |
| Saints PPP Oct 12 | 224.9 | 236.0 | — | — |
| Closed to new business | | | | |
| **Thornton Unit Managers Ltd** | | | | |
| Managed Exempt Nov 1 | 82.10 | 86.94xd | — | 4.76 |
| (Accum Units) | 84.89 | 89.56xd | — | 4.76 |
| **Touche Remnant Unit Tst Mngt Ltd** | | | | |
| TR Exempt European | 887 | 904 | — | 2.94 |
| TR Exempt Nth Amer | 678 | 694 | — | 4.48 |
| TR Exempt Pac Basin | 659 | 669 | — | 1.89 |

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

**Sun Alliance International Life**
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| North American Equity $ | $7.70 | 8.29 | ---- | – |
| Pacific Equity $ | $7.38 | 7.95 | ---- | – |
| Intl Currency $ | $4.24 | 4.57 | ---- | – |
| Intl Bond Fund $ | $6.94 | 7.47 | ---- | – |
| Gilt Fund £ | £3.97 | 4.28 | ---- | – |
| US Dollar Mngd Fd $ | $1.58 | 1.70 | ---- | – |
| Stlg Managed Fd £ | £0.98 | 1.05 | ---- | – |

**Target International Group**
1 rue Emile Bian, Luxembourg Tlx 2009 Tel 4050751

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Sterling Pens Plan | £0.69 | 0.75 | ---- | – |
| US Dollar Pens Plan | $0.71 | 0.77 | ---- | – |
| Yen Pens Plan | Y236 | 252 | ---- | – |
| Ecu Pens Plan | Ecu0.62 | 0.67 | ---- | – |
| Sterling Man Fd | £0.95 | 1.01 | ---- | – |
| Sterling Fixed Int Fd | £1.55 | 1.64 | ---- | – |
| US Dollar Man Fd | $1.15 | 1.22 | ---- | – |
| US Dollar Fixed Int Fd | $1.41 | 1.49 | ---- | – |
| Ecu Bond Fd | Ecu1.07 | 1.14 | ---- | – |
| Davenport Chdwck £ Fd | £0.77 | 0.84 | ---- | – |
| Davenport Chdwck $ Fd | $0.48 | 0.53 | ---- | – |
| Davenport Chad £ F.I. | £1.07 | 1.16 | ---- | – |
| LWI Universal Stg Mngd | £0.77 | 0.79 | ---- | – |
| LWI Universal $ Mngd | $0.63 | 0.68 | ---- | – |
| Matheson £ Pens | £0.74 | 0.79 | ---- | – |
| Matheson $ Pens | $0.80 | 0.85 | ---- | – |
| EDN MIM £ | £0.84 | 0.91 | ---- | – |
| EDN MIM $ | $0.94 | 1.02 | ---- | – |
| Royal Wessex Fund | £0.70 | 0.735 | ---- | – |
| Wessex Special Sits | £0.99 | 1.034 | ---- | – |
| Proinco $ Managed | $0.93 | 0.967 | ---- | – |
| Proinco £ Managed | £0.95 | 0.997 | ---- | – |

**J. D. Ward Financial Services Ltd**
9 Kingsway, London, WC2 6XF. 01-836 4521

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Target Mngd Bond | 182.5 | 192.2 | +0.6 | – |
| Target Mngd Pension | 111.1 | 117.0 | +0.3 | – |
| Albany Life Acc. | 164.3 | 172.9 | ---- | – |
| Albany Pens Acc | 202.8 | 213.4 | ---- | – |

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

**Orion Fund Limited**
6 Front St., Hamilton, HM11, Bermuda 809 295 4000

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or – | Yield Grs |
|---|---|---|---|---|---|---|
| Orion | | $– | 9.8538 | | ---- | – |

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

# FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Dantrust Management (Guernsey) Ltd** | | | | |
| Dantrust Limited | DKr115.6 | 115.8 | ---- | - |
| **Fipart-Conseil Fund Mngrs (Guernsey) Ltd** | | | | |
| Hauteville C & B Fd | SFr7.76 | 7.80 | ---- | 2.26 |
| **John Govett Mngmnt International Ltd** | | | | |
| Govett High Inc Gilt | £0.3513 | 0.3743 | +0.019 | 13.09 |
| Govett Far East Inv | $0.893 | 0.956 | +0.014 | - |
| Energy & Resources | $0.676 | 0.722 | -0.002 | - |
| **Hambros Fund Managers (CI) Ltd** | | | | |
| Japanese OTC | $9.1695 | 9.7528 | ---- | - |
| **Havelet Throgmorton Mngmt Ltd** | | | | |
| Intl Inv-Stlg High Inc | £9.974 | 10.520 | ---- | 10.09 |
| Intl Inv-Intl High Inc | $48.998 | 51.572 | ---- | 5.54 |
| **Henderson Admin. (Guernsey)** | | | | |
| [illegible] | £0.908 | - | | - |
| Balanced Gwth $ Prtflo | $1.806 | 1.944 | +0.014 | - |
| Balanced Gwth £ Prtflo | £2.033 | 1.109 | +0.006 | - |
| Select Mkts $ Prtflo | $1.834 | 1.983 | +0.006 | - |
| Inc & Gwth $ Prtflo | $1.678 | 1.776 | +0.006 | - |
| High Income £ Prtflo | £0.600 | 0.630 | -0.002 | - |
| **Hill Samuel Fd. Mngrs. (Guernsey) Ltd** | | | | |
| Guernsey Tst | 62.95 | 67.32 | +0.45 | 2.97 |
| **Kleinwort Benson Intl Fd Mngrs Ltd** | | | | |
| KB Intl Ac. Bd.Acc* | £8.608 | 9.066 | | - |
| KB Japan Fund | | $205.65 | -15.77 | - |
| KB Sterling Asset | £29.37 | 29.37 | ---- | - |
| *Offer price inclusive of maximum preliminary charge | | | | |
| **Kleinwort Benson Islamic Fd Mgmt Ltd** | | | | |
| Islamic Fund | $5.75 | 6.15 | ---- | 0.92 |
| **Lazard Fund Managers (CI) Ltd** | | | | |
| Lazard Cap. Gwth Bond | $2095.06 | 2190.38 | +2.15 | 7.9 |
| Lazard Cur Acc Fd £ | £18.74 | 18.75 | +0.05 | 13.6 |
| Lazard Cur Acc Fd US$ | $14.66 | 14.67 | +0.02 | 7.2 |
| Lazard Cur Acc Fd Y | Y3,810 | 3,820 | ---- | 6.9 |
| Lazard Cur Acc Fd DM | DM51.40 | 51.41 | +0.08 | 7.3 |
| Lazard Cur Acc Fd SF | SFr37.09 | 37.10 | +0.05 | 7.1 |
| Lazard Cur Acc Fd FF | FFr158.29 | 158.30 | +0.26 | 8.75 |
| Lazard Cur Acc Fd Man | $15.64 | 16.43 | +0.02 | - |
| Lazard O'Yld Bnd (Dst) | $19.34 | 20.39 | ---- | 8.6 |
| Lazard O'Yld Bnd (Acc) | $24.82 | 26.16 | ---- | - |
| Lazard European Fund | $45.85 | 48.56 | +0.11 | 1.0 |
| Lazard Far East | $52.37 | 55.74 | ---- | - |
| Lazard Global Equity | $25.56 | 27.19 | ---- | - |
| Lazard Intl Inc $ (Inc) | $1009.42 | 1064.13 | ---- | 7.789 |
| Lazard Intl $ Inc (Acc) | $2350.60 | 2477.99 | ---- | - |
| Lazard Intl Inc £ (Inc) | £8.95 | 9.44 | ---- | 10.868 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Capital House Fund Mngrs—Contd.** | | | | | | |
| Bonds | | | | | | |
| Sterling Bond | 5 | £1.384 | 1.384 | 1.460 | +0.001 | - |
| International Bond | 5 | $1.837 | 1.837 | 1.936 | +0.001 | - |
| Currencies | | | | | | |
| £ Sterling | 0 | £24.76 | 24.76 | | +0.01 | 14.30 |
| US$ | 0 | $18.89 | 18.89 | | +0.01 | 8.53 |
| Japanese Yen | 0 | Y3,599 | 3,599 | | ---- | 6.52 |
| D Marks | 0 | DM38.04 | 38.04 | | +0.01 | 6.84 |
| Swiss Francs | 0 | SFr51.03 | 51.03 | | ---- | 6.34 |
| Fr Francs | 0 | FFr228.0 | 228.0 | | ---- | 9.13 |
| Ecu's | 0 | Ecu27.12 | 27.12 | | +0.01 | 8.46 |
| Managed | | | | | | |
| Intl Portfolio | 5 | $1.662 | 1.681 | 1.784 | +0.001 | - |
| Managed Currency | 5 | £2.094 | 2.094 | 2.205 | +0.001 | - |
| **Gartmore Fund Managers International Ltd** | | | | | | |
| PO Box 278, 45 La Motte St., Jersey | | | | | | 0534 27535 |
| Capital Strategy Fund Ltd (z) | | | | | | |
| American Fd | | $- | 2.406 | | +0.001 | - |
| Canadian Fd | | C$- | 0.7775 | | +0.002 | 1.00 |
| British Fund | | £- | 2.298 | | +0.001 | 3.00 |
| European Fund | | DM- | 5.327 | | +0.001 | - |
| Eastern European | | DM- | 4.439 | | +0.002 | - |
| Asia Pacific Fd | | $- | 1.919 | | +0.001 | - |
| Japan Fund | | Y- | 588.6 | | +0.5 | - |
| Australasian Fd | | A$- | 0.3069 | | +0.001 | 1.00 |
| Global Resources | | $- | 0.7367 | | +0.002 | 0.70 |
| Emerging Mkts Fd | | $- | .9712 | | +0.001 | 0.90 |
| Int Growth Fund | | $- | 2.747 | | +0.002 | 0.20 |
| Sterling Bond Fd | | £- | 1.017 | | +0.001 | 10.32 |
| ECU Bond Fund | | Ecu- | 0.9627 | | +0.001 | 9.04 |
| Int Bond Fund | | $- | 1.269 | | +0.001 | 6.65 |
| Global Conv Bd Fd | | $- | 17.52 | | +0.01 | 1.48 |
| US$ Deposit Fd | | $- | 1.051 | | ---- | 7.09 |
| Sterling Deposit Fd | | £- | 1.029 | | ---- | 13.81 |
| French Franc Dep Fd | | FFr- | 10.65 | | +0.01 | 8.64 |
| Swiss Fr Dep | | SFr- | 6.270 | | ---- | 6.30 |
| DM Deposit Fd | | DM- | 5.247 | | +0.001 | 7.13 |
| Yen Deposit Fd | | Y- | 522.7 | | ---- | 6.02 |
| Aust Dlr Deposit Fd | | A$- | 1.095 | | ---- | 12.28 |
| **John Govett (Channel Islands) Ltd (1000)F** | | | | | | |
| PO Box 443, St. Helier, Jersey | | | | | | 0534 75141 |
| Govett Flexifund Ltd | | | | | | |
| Global Equity | 5½ | $9.03 | 9.03 | 9.11 | +0.10 | 1.0 |
| Global Bond | 5½ | $10.13 | 10.13 | 10.17 | +0.05 | 7.5 |
| Global Currency | 5½ | $10.12 | 10.12 | 10.13 | +0.03 | 8.5 |
| Global Balanced | 5½ | $9.38 | 9.38 | 9.46 | +0.10 | 3.0 |
| Dollar Cash | 5 | $9.27 | 9.27 | 9.30 | -0.01 | 8.5 |
| European Bond | 5 | [illegible] | 12.51 | 12.54 | | 7.0 |

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Nervous pound improves

STERLING GAINED a little ground on the foreign exchanges yesterday, despite gloomy economic news and an attack on British government policy towards Europe by Sir Geoffrey Howe, who recently resigned as UK deputy prime minister.

The threat to Mrs Margaret Thatcher's position as prime minister showed no sign of abating, amid rumours of a challenge to her leadership of the Conservative party.

UK economic news was weaker than expected and tended to confirm a trend towards recession. Industrial production fell 0.4 per cent in September, against a revised drop of 0.6 per cent in August. City analysts were looking for a fall of 0.3 per cent. Manufacturing industry, stripping out energy production, appeared to be even weaker, falling 1.1 per cent, compared with 0.9 per cent the previous month. Forecasts pointed towards a drop of about 0.5 per cent.

Dealers said that the data pointed towards a cut in UK bank base rates, although the pound's weak position in the exchange rate mechanism of the European Monetary System restricts the authorities room for manoeuvre.

Sterling's overall position at the bottom of the ERM showed little change. The pound improved against the D-Mark, rising to DM2.9075 from DM2.9050. It also gained 20 points to $1.9645, while rising to FFr9.7775 from FFr9.7625; to SFr2.4600 from SFr2.4525; and to Y254.50 from Y252.50. On Bank of England figures sterling's index eased 0.1 to 93.9.

The dollar traded quietly, waiting for any signs of monetary easing after yesterday's meeting of the Federal Open Market committee. Mr John Taylor, a member of the White House council of economic advisers, said that long-term interest rates should fall as a result of the US budget cutting agreement. He added that there was a risk of recession and that the Fed's stated policy would imply lower rates if the economy weakened substantially.

At last night's close in London the dollar had eased to a record closing low of DM1.4800 from DM1.4805, but was a little firmer against most other currencies, rising to FFr4.9775 from FFr4.9750; to SFr1.2525 from SFr1.2500; and to Y129.55 from Y128.70. The dollar's index was unchanged at 60.1.

This month's rise in the Bundesbank's Lombard rate has provided support for the D-Mark. In Frankfurt the Bundesbank did not intervene when the dollar was fixed at a record low of DM1.4788 against DM1.4793 on Monday. The German currency was also strong in terms of the Japanese yen, rising to Y87.55 from Y86.95 at the London close.

The D-Mark improved to FFr3.3612 from FFr3.3607 at the Paris fixing, but higher Italian interest rates helped the lira recover. In Milan the D-Mark fell to L752.21 from a record L752.76 at the fixing.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Nov 13 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 129.859 | -2.82 | 4.22 | 50 |
| Irish Punt | 0.767417 | 0.765777 | -0.21 | 1.50 | 12 |
| Belgian Franc | 42.4032 | 42.3255 | -0.18 | 1.47 | 11 |
| D-Mark | 2.05586 | 2.05211 | -0.18 | 1.47 | 15 |
| Dutch Guilder | 2.31643 | 2.31474 | -0.07 | 1.36 | 6 |
| French Franc | 6.89509 | 6.89764 | 0.04 | 1.24 | 1 |
| Danish Krone | 7.84195 | 7.86282 | 0.27 | 1.01 | -10 |
| Italian Lira | 1538.24 | 1542.86 | 0.30 | 0.98 | -12 |
| Sterling | 0.696904 | 0.705833 | 1.28 | 0.00 | -24 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Nov 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.9610 - 1.9685 | 1.9640 - 1.9650 | 1.07-1.05cpm | 6.47 | 2.73-2.70pm | 5.53 |
| Canada | 2.2855 - 2.2950 | 2.2905 - 2.2915 | 0.40-0.33cpm | 1.91 | 0.96-0.84pm | 1.57 |
| Netherlands | 3.26¾ - 3.28¼ | 3.27¼ - 3.28¼ | 1½-1½cpm | 5.73 | 4-3⅞pm | 4.81 |
| Belgium | 59.55 - 60.00 | 59.75 - 59.85 | 30-25cpm | 5.52 | 74-64pm | 4.62 |
| Denmark | 11.08¾ - 11.17 | 11.15¼ - 11.16¼ | 4⅞-3¾orepm | 4.37 | 9¼-8pm | 3.14 |
| Ireland | 1.0810 - 1.0855 | 1.0845 - 1.0855 | 0.26-0.31cpm | 3.15 | 0.63-0.73pm | 2.51 |
| Germany | 2.89¾ - 2.91 | 2.90¼ - 2.91 | 1½-1¼pfpm | 5.94 | 3½-3¼pm | 4.56 |
| Portugal | 254.55 - 256.30 | [illegible] | 22-44cdis | -1.55 | 96-157dis | -1.98 |
| Spain | 183.20 - 184.45 | 183.70 - 184.00 | 4-12cdis | -0.52 | 33-44dis | -0.84 |
| Italy | 2182¼ - 2189 | 2185½ - 2186½ | 4½-3lirepm | 2.02 | 12¼-10pm | 2.05 |
| Norway | 11.30¼ - 11.37 | 11.35 - 11.36 | 3¼-2½orepm | 3.04 | 7½-6¼pm | 2.42 |
| France | 9.74 - 9.78½ | 9.77¼ - 9.78¼ | 3½-3¼cpm | 4.30 | 8¼-8½pm | 3.50 |
| Sweden | 10.86 - 10.91¼ | 10.89¼ - 10.90¼ | par-½oredis | -0.41 | 1¼-3dis | -0.78 |
| Japan | 253¼ - 256 | 254 - 255 | 1¼-1¼ypm | 5.89 | 3½-3¼pm | 5.21 |
| Austria | 20.38 - 20.45 | 20.39 - 20.42 | 9½-8¾gropm | 5.33 | 24¾-22¼pm | 4.64 |
| Switzerland | 2.45 - 2.46½ | 2.45½ - 2.46½ | 1¼-1¼cpm | 5.79 | 3¼-3pm | 5.08 |
| Ecu | 1.4070 - 1.4135 | 1.4120 - 1.4130 | 0.54-0.51cpm | 4.46 | 1.24-1.19pm | 3.44 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.80-4.75cpm. 12 Month 8.15-8.05cpm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Nov 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.9610 - 1.9685 | 1.9640 - 1.9650 | 1.07-1.05cpm | 6.47 | 2.73-2.70pm | 5.53 |
| Ireland† | 1.8090 - 1.8155 | 1.8110 - 1.8120 | 0.39-0.34cpm | 2.42 | 1.15-1.05pm | 2.43 |
| Canada | 1.1640 - 1.1670 | 1.1650 - 1.1660 | 0.43-0.45cdis | -4.53 | 1.14-1.18dis | -3.98 |
| Netherlands | 1.6640 - 1.6710 | 1.6680 - 1.6690 | 0.07-0.10cdis | -0.61 | 0.32-0.36dis | -0.82 |
| Belgium | 30.40 - 30.55 | 30.40 - 30.50 | 2-3cdis | -0.99 | 5-9dis | -0.92 |
| Denmark | 5.64¾ - 5.68¼ | 5.67¼ - 5.68¼ | 0.90-1.10oredis | -2.11 | 3.05-3.65dis | -2.36 |
| Germany | 1.4735 - 1.4820 | 1.4795 - 1.4805 | 0.06-0.08pfdis | -0.57 | 0.34-0.37dis | -0.96 |
| Portugal | 130.30 - 130.50 | 130.30 - 130.40 | 80-90cdis | -7.83 | 230-260dis | -7.52 |
| Spain | 93.30 - 93.75 | 93.55 - 93.65 | 52-56cdis | -6.92 | 148-155dis | -6.47 |
| Italy | 1109 - 1114 | 1112½ - 1113 | 3.80-4.30liredis | -4.37 | 9.30-10.30dis | -3.52 |
| Norway | 5.75½ - 5.79 | 5.77¼ - 5.78¼ | 1.40-1.75oredis | -3.27 | 4.30-4.80dis | -3.15 |
| France | 4.95¾ - 4.98¼ | 4.97½ - 4.98 | 0.85-0.90cdis | -2.11 | 2.48-2.58dis | -2.03 |
| Sweden | 5.53 - 5.55¼ | 5.54¼ - 5.55 | 3.05-3.40oredis | -6.98 | 9.50-9.70dis | -6.91 |
| Japan | 128.60 - 129.70 | 129.50 - 129.60 | 0.01-0.03ypm | 0.19 | 0.08-0.11dis | -0.29 |
| Austria | 10.37¾ - 10.41¼ | 10.40 - 10.40¾ | 0.65-1.00grodis | -0.95 | 2.50-3.50dis | -1.15 |
| Switzerland | 1.2480 - 1.2550 | 1.2520 - 1.2530 | 0.02-0.06cdis | -0.38 | 0.14-0.21dis | -0.56 |
| Ecu | 1.3890 - 1.3960 | 1.3900 - 1.3910 | 0.24-0.22cpm | 1.98 | 0.72-0.70pm | 2.04 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### £ IN NEW YORK

[illegible]

### STERLING INDEX

[illegible]

### CURRENCY MOVEMENTS

[illegible]

### CURRENCY RATES

[illegible]

### OTHER CURRENCIES

[illegible]

$ Selling rate

### EURO-CURRENCY INTEREST RATES

[illegible]

### EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

### BASE LENDING RATES

[illegible]

| | | | | | |
|---|---|---|---|---|---|
| Banque Belge Ltd | 14 | Hampshire Trust Plc | 15½ | Western Trust | 14 |
| Barclays Bank | 14 | Heritable & Gen Inv Bnk | 14 | Westpac Bank Corp | 14 |
| Benchmark Bank | 14 | ● Hill Samuel | 14 | Whiteaway Laidlaw | 14 |
| Brit Bk of Mid East | 14 | C. Hoare & Co. | 14 | Yorkshire Bank | 14 |
| ● Brown Shipley | 14 | Hongkong & Shangh | 14 | | |
| CL Bank Nederland | 14 | ● Leopold Joseph & Sons | 14 | | |
| ● Charterhouse Bank | 14 | Lloyds Bank | 14 | | |
| Citibank NA | 14 | Meghraj Bank Ltd | 14 | | |
| City Merchants Bank | 14 | McDonnell Douglas Bnk | 14 | | |
| Clydesdale Bank | 14 | Midland Bank | 14 | | |
| Comm. Bk of London Plc | 14 | Mount Banking | 14 | | |
| Co-operative Bank | *14 | Nat Bk of Kuwait | 15 | | |

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## MONEY MARKETS

# Short sterling down

NERVOUSNESS about the political situation in the UK and the recent poor performance by sterling, since it became a full member of the European Monetary System, pushed short sterling futures lower on Liffe yesterday.

Political and economic factors weighed on the pound setting back hopes of an early cut in UK bank base rates. December short sterling opened slightly higher at 86.94 and touched 86.95, before falling to a low of 86.73 and closing at 86.79 against 86.92 previously.

**UK clearing bank base lending rate**
**14 per cent**
**from October 8, 1990**

Wholesale interest rates held steady in London. Three-month sterling interbank was unchanged at 13$\frac{13}{16}$-13$\frac{11}{16}$ per cent, while 12-month money eased to 12$\frac{11}{16}$-12$\frac{9}{16}$ from 12¾-12⅝ per cent.

Day-to-day credit remained in fairly comfortable supply on the money market, but the Bank of England kept conditions tight by waiting until the afternoon to provide assistance and then not supplying enough help to take out the full underlying shortage. This encouraged market operators to sell some band 1 bills to the authorities above the official dealing rate of 13⅞ per cent.

A shortage of £250m was initially forecast, but this was revised to £300m at noon and to £350m in the afternoon. Total help of £226m was provided. The Bank of England did not operate in the market before lunch, but in the afternoon bought £141m bills outright, by way of £24m Treasury bills in band 1 at 13⅞ per cent and £117m bank bills in band 1 at 14⅛-13⅞ per cent. Late assistance of around £85m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £284m, with exchequer transactions absorbing £5m, and bank balances below target £20m. These outweighed a fall in the note circulation adding £60m to liquidity.

In Frankfurt call money was unchanged at 8.15 per cent as dealers waited for the German Bundesbank to allocate funds at this week's securities repurchase agreement tender. As expected the central bank set a two-tranche tender, offering 35-day funds at a fixed rate of 8.00 per cent and 63-day money at variable bid rates. This is the first tender to include a variable rate offer since the Lombard rate rise on November 1. Two earlier pacts totalling DM24.9bn expire today.

### FT LONDON INTERBANK FIXING

[illegible]

### MONEY RATES

[illegible]

### LONDON MONEY RATES

[illegible]

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FTSE 100
Nov. 2057/2067 -22
Dec. 2075/2085 -19
WALL STREET
Nov. 2516/2525 -16
Dec. 2527/2539 -16
5pm Prices. Change from previous 9pm close
HOW WELL DID YOU JUDGE THE MARKET?

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]

JOTTER PAD

## CROSSWORD

No.7,393 Set by GRIFFIN

**ACROSS**

1 Free Parisian who is within the law (6)
4 Scold, concealing misplaced glee, and demote (8)
9 Mowed a rough grassy area (6)
10 Solid chapter on holiday island (8)
12 Withdraws incomplete red handles (8)
13 Must get right into cave (6)
15 Having died on vessel is not fair (4)
16 PSV staff going around in jumpers on this (10)
18 Ready-made mixture right for Walter Mitty? (10)
20 About to ring vicar back (4)
23 Cold store rebuilt without subdivision (6)
25 Rose, when 100 stopped (8)
27 First aid chaps competent on subject (8)
28 Swell way to start ramble (6)
29 Account I learn to falsify (8)
30 Tormented journalist drinks first (6)

**DOWN**

1 Esteemed communist follows kinky maid (7)
2 Quarry let out at fixed intervals (9)
3 Did some pressing work (6)
5 School line-up (4)
6 French delicacy? Certainly not fast food! (8)
7 Warning signal arranged later (5)
8 Watches soldiers outside job centre – an ugly sight! (7)
11 Timeless sea-bird found in East Alabama (7)
14 Huge mines exploded around me (7)
17 I – I sound upset about VI incurring resentment (9)
18 Conceited, turn up in Scottish island with model (8)
19 Give up hope of the continental couple (7)
21 Unkempt artist (not a dad) went ahead (7)
22 Mild man takes pound note (6)
24 Some Indians left a lobster-catcher (5)
26 Because student is in love, too (4)

Solution to Puzzle No.7,393

DANUBE HIJACK
ZAMBIAN SENATOR
WALLSTREET RAKE
FREDA DARTMOOR
FLAMINGO ADORN
SHOO WAKEYWAKEY
CURLING CABINET
EITHER THANET

# WORLD STOCK MARKETS

## CANADA

TORONTO

2pm prices November 13

## INDICES

### NEW YORK

| DOW JONES | Nov. 12 | Nov. 9 | Nov. 8 | Nov. 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2540.35 | 2488.61 | 2443.81 | 2440.84 | 2999.75 (16/7) | 2365.10 (11/10) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 89.59 | 89.30 | 89.34 | 89.32 | 93.04 (3/1) | 88.44 (24/9) | — | — |
| Transport | 866.68 | 833.39 | 827.66 | 835.03 | 1212.77 (6/6) | 821.93 (17/10) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 212.09 | 210.32 | 209.13 | 209.07 | 236.23 (2/1) | 190.96 (24/8) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2550.99 (2500.74) Low 2490.10 (2438.61)

### STANDARD AND POOR'S

| | Nov. 12 | Nov. 9 | Nov. 8 | Nov. 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 319.48 | 313.74 | 307.61 | 306.01 | 368.95 (16/7) | 295.46 (11/10) | 368.95 (16/7/90) | 4.40 (1/6/32) |
| Industrials | 373.35 | 367.11 | 359.72 | 358.15 | 437.37 (16/7) | 346.86 (11/10) | 437.37 (16/7/90) | 3.62 (21/6/32) |
| Financial | 22.21 | 21.19 | 20.65 | 20.37 | 31.87 (3/1) | 18.80 (29/10) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 174.07 | 171.17 | 168.14 | 167.47 | 201.13 (16/7) | 162.20 (11/10) | 201.13 (16/7/90) | 4.46 (25/4/42) |
| Amex Mkt. Value | 294.78 | 291.03 | 289.07 | 289.74 | 382.45 (5/1) | 288.07 (30/10) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 351.46 | 341.95 | 336.37 | 336.80 | 469.60 (16/7) | 325.44 (16/10) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Nov. 9 | Nov. 2 | Oct.26 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 4.09 | 4.08 | 4.17 | 3.94 |
| | Nov. 7 | Oct.31 | Oct.24 | year ago (approx.) |
| S & P Industrial div. yield | 3.55 | 3.54 | 3.42 | 2.97 |
| S & P Indl. P/E ratio | 14.48 | 14.43 | 14.86 | 14.25 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| IBM | 3,543,200 | 112¾ | + 2⅜ |
| Am Express | 2,897,900 | 21⅝ | + 2 |
| Fannie Mae | 2,637,300 | 32⅞ | + 1⅝ |
| Pan Am Corp | 2,392,400 | 1⅞ | + ⅛ |
| Pepsico | 2,207,800 | 25 | + ⅛ |
| BankAmerica | 2,104,700 | 23⅝ | + 1⅝ |
| Phillip Morris | 2,020,600 | 49⅝ | + ⅝ |
| Citicorp | 1,922,700 | 13⅛ | + 1 |
| Duke Power | 1,782,900 | 30⅛ | + ⅛ |
| Gen Electric | 1,777,500 | 55⅝ | + 1⅝ |

### TRADING ACTIVITY

| † Volume (Millions) | Nov. 12 | Nov. 9 | Nov. 8 |
|---|---|---|---|
| New York | 161.390 | 146.115 | 155.570 |
| Amex | 10.380 | 10.678 | 9.465 |
| NASDAQ | 119.297 | 113.554 | 106.908 |
| Issues Traded | 1,972 | 1,987 | 1,984 |
| Rises | 1,157 | 1,113 | 828 |
| Falls | 381 | 434 | 649 |
| Unchanged | 434 | 440 | 507 |
| New Highs | 14 | 11 | 7 |
| New Lows | 38 | 64 | 90 |

### CANADA

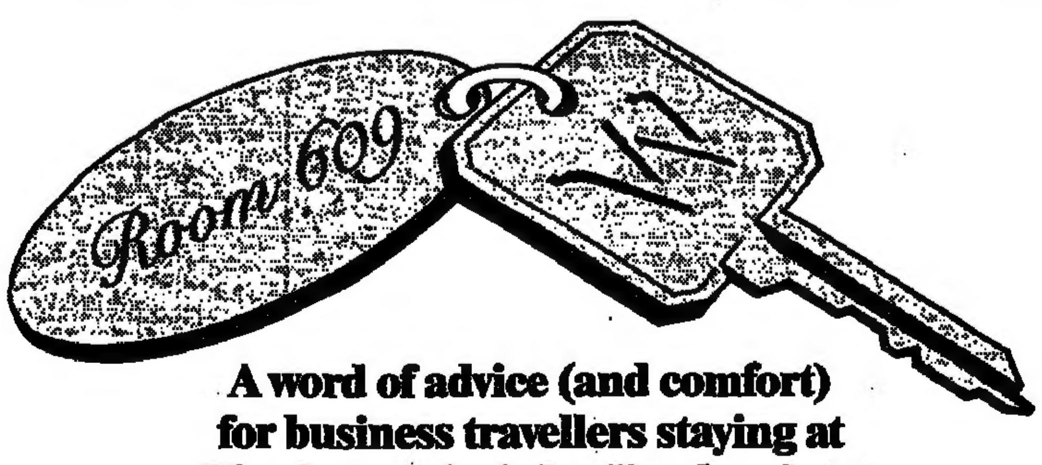
| TORONTO | Nov. 12 | Nov. 9 | Nov. 8 | Nov. 7 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2587.88 | 2523.81 | 2486.60 | 2502.63 | 3453.05 (4/1) | 2486.60 (8/11) |
| Composite | 3119.97 | 3077.42 | 3060.55 | 3071.14 | 4009.47 (3/1) | 3009.91 (16/10) |
| MONTREAL Portfolio | 1670.41 | 1634.31 | 1621.36 | 1630.06 | 2060.90 (3/1) | 1607.24 (16/10) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday November 10: Taiwan Weighted Price: 3502.82 ...
¢ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall ... Industrials – 264.3 and Australia All Ordinary and Mining – 500; ...

### TOKYO - Most Active Stocks
Tuesday 13 November 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 17.5m | 413 | +12 |
| N'matsu Cnstrn | 15.7m | 1,410 | +60 |
| Hazama Gumi | 14.8m | 1,330 | +100 |
| K'saki Heavy | 10.8m | 545 | +16 |
| M'bishi Heavy | 10.8m | 711 | +22 |
| Honshu Paper | 10.2m | 2,740 | +190 |
| Tokyu Cnstrn | 8.6m | 1,220 | +110 |
| Kyosan Elec | 8.8m | 1,430 | +40 |
| Marubeni | 6.6m | 683 | +49 |
| Sanyo Elec | 5.4m | 660 | +24 |


A word of advice (and comfort) for business travellers staying at North America's leading hotels...

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_m prices November 13

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | — A—A—A — | | | | | | | | |
| | 8½ | AAR | .48 | 4.4 | 7 | 851 | 11 | 10⅞ | 10⅞ | + ½ |
| | 7¾ | ACM n | 1.01 | 12. | | 182 | 8⅜ | 8¼ | 8⅜ | + ⅛ |
| | 8¼ | ACMIn | 1.26 | 12. | | 1749 | 10⅛ | 10 | 10⅛ | + ⅛ |
| 9¼ | 6½ | ACM M | n1.01 | 14. | | 415 | 7⅛ | 7 | 7⅛ | |
| 12¼ | 10 | ACMMM | 1.50 | 13. | | 108 | 11⅝ | 11½ | 11⅝ | + ⅛ |
| 11½ | 8¾ | ACM Sc | 1.28 | 13. | | 1883 | 9⅝ | 9½ | 9⅝ | + ⅛ |
| 9⅝ | 7¼ | ACMSp | 1.01 | 12. | | 472 | 8⅜ | 8¼ | 8¼ | − ⅛ |
| 24⅝ | 15⅞ | AL Lab | .16 | .7 | 18 | 132 | 21⅞ | 21 | 21⅞ | + ⅝ |
| 5⅞ | 1 | AM Intl | | | | 550 | 1⅞ | 1¾ | 1¾ | |
| 21⅛ | 4⅝ | AM In pf | 2 | 24. | | 34 | 8¾ | 8½ | 8½ | − ¼ |
| 72¼ | 39¾ | AMR | | | 14 | 3607 | 48½ | 47⅞ | 48½ | + ¾ |
| 4 | 1½ | ARX | | | 6 | 35 | 2 | 1⅞ | 1⅞ | |
| 72¼ | 38¼ | ASA | 3 | 7.0 | | 870 | 43⅛ | 42¾ | 42¾ | |
| 3½ | 3¼ | ATTC wt | | | | 23 | 3½ | 3⅜ | 3½ | |
| 45⅝ | 31¼ | AbtLab | s.84 | 2.0 | 20 | 5511 | 42½ | 42 | 42½ | + ¼ |
| 14 | 10⅞ | Abitibi g | .50 | | | 17 | 11¼ | 11⅛ | 11¼ | + ⅛ |
| 11⅝ | 4⅝ | AcmeC | .40 | 6.7 | 7 | 90 | 6 | 5⅞ | 6 | |
| 9⅝ | 5 | AcmeE | .32 | 6.4 | 9 | 14 | 5 | 5 | 5 | |
| 32⅛ | 18⅞ | Acuson s | | | 18 | 2187 | 24⅞ | 24 | 24⅞ | + 1 |
| 16⅞ | 14⅛ | AdaEx | 1.72e | 12. | | x171 | 14⅞ | 14¼ | 14⅞ | + ⅛ |
| 15⅞ | 10⅛ | Adobe | | | | 84 | 11⅝ | 11½ | 11½ | |
| 20¼ | 16½ | Adob pf | 1.84 | 11. | | 8 | 17 | 17 | 17 | − ¼ |
| 11⅞ | 3⅝ | AMD | | | | 4973 | 4¾ | 4½ | 4⅝ | |
| 32⅞ | 13 | AMD pf | 3 | 18. | | 45 | 17 | 16⅞ | 17 | + ⅛ |
| 9¼ | 1⅝ | Advest | .16 | 7.1 | | 63 | 2¼ | 2⅛ | 2¼ | |
| 62 | 29 | AetnLf | 2.76 | 7.4 | 9 | 5345 | 37½ | 36⅞ | 37¼ | + ¼ |
| 12½ | 6¼ | AflPb | .24 | 3.3 | | 832 | 7¼ | 7⅛ | 7¼ | + ⅛ |
| 22½ | 10⅝ | Ahmans | .88 | 6.1 | 6 | 8356 | 14⅞ | 14⅜ | 14½ | + ¼ |
| 3⅝ | 1⅞ | Aileen | | | 6 | 60 | 3¼ | 3⅛ | 3¼ | |

Continued on Page 39

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25½ | 18¾ | Rayonr | 3.60 | 17. | 6 | 90 | 21½ | 21¼ | 21½ | + ⅛ |
| 80½ | 67¼ | Raythn | 2.40 | 3.4 | 8 | 1821 | 70 | 69¼ | 69⅝ | − ⅜ |
| 27⅝ | 21 | RdrDg n | .60 | 2.3 | 16 | 667 | 26⅛ | 25¾ | 25⅞ | − ⅛ |
| 5 | 1⅛ | RdgBte | | | | 377 | 1⅝ | 1⅜ | 1⅝ | + ¼ |
| 16¼ | 11⅝ | REIT | 1.42 | 11. | 10 | 85 | 13⅛ | 12⅞ | 13⅛ | + ⅛ |
| 7¾ | 4½ | RecnEq | | | | 44 | 4¾ | 4⅝ | 4⅝ | |
| 20 | 8⅞ | Reebok | .30 | 2.8 | 7 | 1676 | 11⅛ | 10¾ | 10⅞ | − ¼ |
| 11½ | 1⅝ | Reece | .05j | | | 22 | 2⅛ | 2⅛ | 2⅛ | |
| ½ | 3-16 | Regal | | | | 15 | ¼ | ¼ | ¼ | + 1-64 |
| 15 | 6¾ | ReichTg | 1.52 | 19. | 5 | 114 | 8 | 7¾ | 8 | + ¾ |
| 6⅝ | 4⅞ | RelGrp | .32 | 6.7 | | 229 | 4⅞ | 4⅝ | 4¾ | − ⅛ |
| 30⅜ | 19½ | Repsol | n.85e | 3.8 | | 3016 | 23½ | 22½ | 22⅝ | − 1½ |
| 5 | 3 | RepGyp | .19t | 5.8 | | 26 | 3¼ | 3⅛ | 3¼ | |
| 62⅛ | 37¼ | RepNY | 1.32 | 2.9 | 6 | 191 | 45 | 43⅞ | 45 | + ⅞ |
| 7⅝ | 1⅛ | Rxene | | | | 9 | 1⅝ | 1½ | 1½ | − ⅛ |
| 27⅛ | 11½ | ReyRey | .80 | 5.9 | 6 | 65 | 13½ | 13⅜ | 13½ | |
| 70 | 48½ | ReyMt | 1.80 | 3.6 | 7 | 3064 | 50⅝ | 49½ | 50⅝ | + ½ |
| 67⅝ | 60¼ | RP Ror | n.84 | 1.3 | | 974 | 67 | 66¼ | 66¼ | |
| 19 | 8¾ | RhP | pfA1.60e | 15. | | 16 | 10½ | 10⅜ | 10⅜ | + ¼ |
| 22 | 9¼ | RhnPl | n1.60e | 15. | | 13 | 10¾ | 10¼ | 10¾ | + ½ |
| 38 | 29½ | RiteAid | .90 | 2.6 | 14 | 249 | 34⅝ | 33⅞ | 34⅛ | − ¼ |
| 11-32 | 3-64 | RvrOak | | | | 180 | 1-16 | 3-64 | 1-16 | + 1-64 |
| 18¼ | 8¼ | RbtHlf | | | 9 | 43 | 9 | 9 | 9 | |
| 8½ | 5 | RbtCe wi | | | | 94 | 6⅛ | d 4⅞ | 6 | |
| 22⅛ | 16⅞ | RochG | 1.56 | 8.2 | 10 | 89 | 19⅛ | 19 | 19 | |
| 43½ | 24⅝ | RochTl | 1.48 | 5.2 | 17 | 699 | 29¼ | 27½ | 28⅛ | − ⅛ |
| 22⅛ | 15¼ | RckCtr | 1.88 | 11. | 17 | 212 | 17½ | 17¼ | 17¼ | − ¼ |
| 28⅞ | 19¾ | Rockwl | .88 | 3.5 | 10 | x961 | 25 | 24⅞ | 24⅞ | |
| 7⅞ | 4 | RodRen | | | 18 | 5 | 3⅞ | d 3⅞ | 3⅞ | − ⅛ |
| 36⅞ | 24¼ | RoHaas | 1.34 | 4.2 | 10 | 311 | 30½ | 29¼ | 29½ | − 1⅛ |
| 26¼ | 11½ | Rohr | | | | 1321 | 12¾ | 12 | 12⅝ | + ¼ |
| 15¼ | 7¾ | RollinE | .09 | 1.1 | 18 | 461 | 8¼ | 8 | 8⅛ | |
| 20⅝ | 15⅞ | Rollins | .56 | 3.2 | 15 | 107 | 17⅞ | 17½ | 17½ | |
| 9¼ | 6⅛ | RolLess | .20 | 2.9 | 7 | 72 | 6⅞ | 6⅝ | 6⅞ | + ⅛ |
| 15⅞ | 8½ | Rowan | | | | 2873 | 12¾ | 12⅝ | 12⅝ | − ⅛ |
| 25¾ | 19⅝ | RBScl pr2.96e14. | | | | 218 | 21½ | 20⅞ | 20⅞ | − ⅞ |

– X – Y – Z –

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24⅞ | 13⅛ | Wyman | .80 | 4.2 | 9 | 27 | 14⅞ | 14⅝ | 14⅝ | + ⅛ |
| 60½ | 29 | Xerox | 3 | 8.8 | 6 | 2495 | 34⅛ | 33⅞ | 34⅛ | + ⅛ |
| 32⅝ | 13⅝ | XTRA | .72 | 5.1 | | 75 | 14 | 14 | 14 | |
| 4 | ¾ | Zapata | | | | 471 | 13-16 | 11-16 | ¾ | |
| 9⅛ | 3 | Zemex | | | | 4 | 5¼ | 5¼ | 5¼ | + ¼ |
| 15⅞ | 4 | ZenithE | | | | 389 | 6¼ | 6 | 6⅛ | + ¼ |
| 16⅞ | 9⅞ | ZenNtl | .36 | 3.3 | 7 | 61 | 10⅝ | 10½ | 10⅝ | + ⅛ |
| 8 | 4½ | Zeolx | .32 | 20. | | 58 | 4⅞ | 4⅝ | 4⅝ | − ⅛ |
| 17⅛ | 9⅞ | Zero | .40 | 3.8 | 11 | 182 | 10⅝ | 10⅜ | 10⅝ | + ⅛ |
| 51⅛ | 28⅝ | Zurnin | .88 | 2.6 | 15 | 267 | 33⅞ | 33⅛ | 33⅞ | + ⅝ |
| 12⅝ | 10⅛ | Zweig | 1.18e | 11. | | 140 | 10⅝ | 10½ | 10½ | |
| 10 | 7⅞ | ZweigTl | .84 | 8.8 | | 548 | 8⅝ | 8⅝ | 8⅝ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# NASDAQ NATIONAL MARKET

3pm prices November 13

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Woloha | .28b | 7 | 12 | 12½ | 12½ | 12½ | − ¼ |
| WlvExp | | | 190 | 6⅝ | 6¼ | 6¼ | |
| WlvEx pf | | | 95 | 16⅛ | 15¾ | 15¾ | − ¼ |
| Worthg | .60 | 15 | 643 | 20½ | 20⅛ | 20¼ | − ⅜ |
| Wyman | .80 | | 149 | 8 | 7½ | 7½ | |

– X – Y – Z –

| Stock | Div. | P/E | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| XL Dta | | 5 | 94 | 7⅜ | 7¼ | 7⅜ | + ⅛ |
| XOMA | | | 1957 | 16⅞ | 15½ | 16¼ | + ⅞ |
| Xilinx | | | 3354 | 13½ | 12⅝ | 13¼ | + ⅝ |
| YanEnS | 1.52 | 15 | 969 | 19 | 18⅝ | 19 | |
| YelowF | .94 | 25 | 1106 | 23⅛ | 22⅞ | 22⅞ | + ¼ |
| YorkRs | | 12 | 721 | 9⅛ | 8⅞ | 8⅞ | + ⅛ |
| Zeos | | 16 | 40 | 14¼ | 13¾ | 13½ | − ½ |
| ZionBc | 1.44 | 8 | 161 | 29¾ | 28½ | 29½ | +2 |

ACCOUNTANCY
THE CHALLENGE
OF EUROPE

The FT proposes to publish this survey on November 30th 1990.
It will be of special interest to the thousands of FT readers who are directors and managers either involved in the profession or who make decisions about accountancy and related services.
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FT SURVEYS

# AMEX COMPOSITE PRICES

3pm prices November 13

AMERICA

# Dow in modest decline after two-day uptrend

### Wall Street

RISING OIL prices, fears of recession and profit-taking after two days of strong gains pushed US stocks modestly lower yesterday morning in moderately active trading, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was 5.70 lower at 2,534.65.

The stock market retreat, however, was not across the board, with declining issues having only a thin edge over rising ones and the secondary market posting modest gains at midsession. On Monday, the Dow rose 51.74 to 2,540.35 and on Friday the index added 44.80.

A resurgence in oil futures put pressure on stock prices yesterday morning. At midsession, the December crude oil contract was $1.38 higher at $33.25 a barrel after UK Prime Minister Margaret Thatcher said that force would be used to oust Iraqi troops from Kuwait, if necessary, and that Iraq was close to acquiring nuclear weapons.

Stocks also came under some selling pressure from the release of industrial production data for October, which fell more sharply than the market had expected and provided further evidence that the US economy is in recession.

The report was more bullish for the bond market, where the treasury's benchmark 30-year issue rose about 1 point in morning trading amid speculation that the Federal Reserve would cut its target for Fed funds to 7½ per cent within a few days from the current 7¾ per cent.

Philip Morris, the most active issue of the morning on the New York Stock Exchange, fell $¾ to $48⅝ on reports that sales of Marlboro cigarettes were slipping.

Among other leading issues, Federal National Mortgage rose $¼ to $32¼, IBM slid $⅝ to $112⅝ and General Electric added 4¼ to $55⅝.

American Express advanced $4¼ to $21⅞. The company plans to increase its interest rate charges on Optima credit card balances to 16.75 per cent from their present level of 15.75 per cent.

Shares in Lockheed climbed $3 to $32⅝ following a takeover offer of $40 a share from NL Industries and Mr Harold Simmons, a Dallas investor. NL Industries slipped $⅛ to $11⅛.

The Limited moved $⅛ higher to $15⅝ in heavy trading after the company, which specialises in selling women's clothing, reported essentially unchanged third-quarter earnings of 23 cents a share.

J.C. Penney, which announced third-quarter results in line with expectations, added $⅛ to $41⅛.

Armstrong World improved $1½ to $23⅞ after an analyst at Smith Barney Harris Upham upgraded his rating on the stock.

In the secondary market, the Nasdaq composite added 0.29 to 351.75 at midsession, with strong gains from a number of technology issues. McCaw Cellular Communications jumped $2 to $16⅝ in heavy trading and Sun Microsystems added $⅝ to $18⅞.

Intel improved by $4¾ to $38. The company said its supercomputer division would provide the world's fastest computer to a group of university and government laboratories.

Enzon surged $2¼ to $6⅝ after an analyst at Morgan Stanley stirred up interest with a "buy" rating and gave the issue a 12-month target of $15.

### Canada

SHARE PRICES slipped from their peaks as Wall Street declined, although the Toronto composite index remained slightly higher at midday.

Nervousness over the Gulf crisis had lifted oil and gas prices and boosted gold shares, which account for about 11 per cent of the composite index. In addition, banks had climbed in anticipation of an easing of interest rates in the US.

The index gained 8.4 to 3,123.4 on volume of 13.3m shares. Advances led declines by 182 to 169.

ASIA PACIFIC

# Rare combination takes Nikkei up by 4.5%

### Tokyo

A RARE combination of Monday's rise on Wall Street, a higher yen, firm bond prices and lower crude oil prices was spiced with takeover rumours yesterday, adding up to a substantial rise for equities, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed with its eighth highest gain ever of 1,041.87, or 4.5 per cent, to 23,973.67. Opening at the day's low of 22,938.73 after a long weekend, its high was 23,974.07.

Volume remained modest, but was up from Friday's 320m to 400m shares. Advances overwhelmed declines by 960 to 46, with 45 issues unchanged. The Topix index of all listed stocks rose 65.58 to 1,773.02, although in London the ISE/Nikkei 50 index put on only 4.84 to 1,341.77.

The gain in futures triggered buying by some investment trusts and small lot individuals, but institutions were hesitant to participate. Mr Paul Muller at Schroder Securities said: "Although today's gain has calmed jitters, the volume itself indicates that people are still sceptical of the market, and that there are many waiting to be convinced."

However, the afternoon was dominated by rumours, subsequently confirmed, that two Japanese city banks – Kyowa Bank and Saitama Bank – will merge next April 1. The stocks were suspended in mid-afternoon, but before then Kyowa had jumped Y100 from Friday's close of Y1,040, while Saitama rose Y50 to Y920.

The news lifted other financials, most of which had been firm on expectations of an easier credit climate amid forecasts of a Fed funds rate cut in the US. Industrial Bank of Japan surged Y180 to Y2,880 and Fuji Bank Y110 to Y2,050.

International blue chips followed Wall Street higher, Sony climbing Y410 to Y6,180, TDK Y170 to Y4,760 and Pioneer Electronic Y190 to Y3,850. NTT rose Y40,000 to Y1.08m. News of lower oil prices helped Tokyo Electric Power up Y120 to Y3,250 and its affiliate, Takaoka Electric Manufacturing, to gain Y61 to Y906.

Constructions drew attention in the morning, small and medium-sized contractors with good half-year results leading the rise. Nittoc Construction climbed for the sixth consecutive trading day, adding Y30 at Y1,820; its price gain last week was the highest among issues listed on the Tokyo SE's first section.

Shin Meiwa, the biggest manufacturer of waste disposal trucks, advanced Y80 to Y1,530 as talk spread that it would receive large orders for aircraft parts from a leading airframe builder. News that the minister of construction is looking at a ruling that all new apartments should be built with adequate car parking also helped boost the shares, as the company builds multi-storey parking lots.

Losers for the day included oil and gas manufacturers, reacting to lower oil prices. Teikoku Oil dropped Y60 to Y1,130 and Showa Shell Sekiyu fell Y30 to Y1,020.

Osaka saw its OSE average forge ahead 951.26 to 27,379.73 in volume increased from 27.5m shares to 30.4m.

### Roundup

ADVANCES on Wall Street and in Tokyo stirred up buying enthusiasm in most Asia Pacific markets yesterday. Bombay was closed.

HONG KONG responded with a 1.7 per cent gain in improved turnover. The Hang Seng index rose 49.41 to 2,998.97 in trading worth HK$1.06bn, up by more than a third from Monday's HK$785m.

Among the day's winners was Hongkong and Shanghai Banking, which gained 20 cents to HK$4.72 with 8.28m shares traded, as the belief grew that the shares were now undervalued. Cheung Kong also rose 20 cents, closing at HK$12.50.

SINGAPORE was encouraged further by lower oil prices. The Straits Times Industrial index moved up 13.81, or 1.3 per cent, to 1,116.70 in moderate turnover of S$74m, but well above Monday's revised S$47m.

Electro-Magnetic, the troubled video tape manufacturer, dropped 10½ cents to 56 cents, compared with a high this year of S$2.80, after Monday's suspension from duties of Mr Steven Chan, the founder and managing director. KUALA LUMPUR's composite index ended only 2.75 up at 472.20.

AUSTRALIA followed the overseas lead, but speculation that News Corp was in talks with its bankers pulled the index off its high. News Corp ended a net 12 cents down at A$5.92, after reaching A$6.50 in earlier trading. The All-Ordinaries index gained 13.2 to 1,348.8 in turnover of A$215m.

Adsteam weakened 7 cents to 60 cents and Tooth and Co, its associate, plunged A$1.55 to 90 cents after the previous day's sale of the Penfolds wine division.

TAIWAN returned from Monday's holiday in optimistic mood, and the weighted index gained 236.23, or 6.7 per cent, to 3,739.05. Turnover expanded to T$40.7bn from Saturday's T$34.6bn. SEOUL also rose on hopes of a resolution of domestic political problems, and of the Gulf crisis. The composite index added 8.53 at 710.06 in turnover of Won262.3bn, up from Monday's Won183.3bn

MANILA was enthusiastic about company results, and the composite index improved 15.59 to 610.11. Philippine National Bank rose 11 pesos to 243 pesos on speculation that it would announce a large dividend. Philippine Long Distance Telephone added 12 pesos at 232 pesos on expectations of good third quarter earnings.

NEW ZEALAND welcomed the overnight advance on Wall Street and lower short-term interest rates with a 1 per cent gain. The Barclays index rose 13.13 to 1,290.79 as turnover more than doubled to NZ$12m from Monday's NZ$5.8m.

EUROPE

# Bourses close disappointed after early rises

AN expectant FT-SE Eurotrack index, up 10.70 at 960.86 on Monday and another 10.30 at 971.16 at yesterday's opening, closed disappointed, only 0.80 higher at 961.66, as bourses found themselves unable to sustain the overnight mood in Wall Street and Tokyo, *writes Our Markets Staff.*

FRANKFURT had been 2⅔ per cent higher in the pre-bourse, said Ms Barbara Altmann of local bank B Metzler, but it slid through a rise of 3.94 to 616.98 in the FAZ index at midsession to one of only 0.67 to 1,402.91 in the DAX at the close.

Volume rose from DM4.2bn to DM5.4bn. Brokers raised share prices and nibbled at stocks in the morning, said Ms Altmann, but they cleared their positions when orders failed to appear.

Hoechst produced a 22 per cent drop in profits after nine months, and its shares dropped DM4.20 to DM179. However, the drop was expected, and there may have been some profit-taking after a DM6.20 rise in the stock over the previous two trading days.

Elsewhere, there was strength in specialist chemical and consumer stocks such as Schering and Beiersdorf after good results and weakness in construction stocks – the latter in spite of Hochtief's assertion that the German construction boom has continued so far this year.

PARIS finished higher, but off its best, the CAC 40 index closing up 12.79 at 1,610.13 after reaching 1,627.97.

Activity focused on Eurotunnel; its rights issue, traded separately from the shares since Monday, dropped 52 centimes to FFr3.44 with 3.5m units exchanged, while the shares lost 95 centimes to FFr34 with 1.8m changing hands.

Schneider, the construction company, gained FFr27 or 4.6 per cent to FFr615 and Source Perrier rose FFr30 to FFr1,237 after the bourse announced that they would be included in the CAC 40 index from December 10. They will replace Dumez, following its merger with Lyonnaise des Eaux, and Merlin Gérin, a subsidiary of Schneider.

Among other rising stocks, Peugeot gained FFr13.50 to FFr504 on 140,700 shares.

AMSTERDAM's CBS Tendency index closed at 94.6, down 0.1, after reaching 95.5 earlier. Most of the trading was professional, as institutions stayed out of the market.

PolyGram, the recorded music group, dropped Fl 1.80 or 5.4 per cent to Fl 31.80 on the news that James Capel, the brokers, had downgraded 1990 and 1991 earnings forecasts by 10 per cent because of takeover and other costs, and the weakness of the dollar and sterling.

Nat-Ned, the insurer, slipped 80 cents to Fl 48.60 amid shareholder dissatisfaction with the terms of the merger with NMB Bank, which eased 40 cents to Fl 41.20. Other insurers were also weak, with Aegon falling Fl 1.40 to Fl 107.50.

MILAN finished slightly higher, the Comit index rising 3.02 to 532.40 after a string of new lows, but there was trouble after hours.

Stocks in Mr Carlo de Benedetti's stable suffered on Olivetti's plans to reduce its international workforce, the office equipment manufacturer itself losing L87 to L3,580 after hours and Cir, the holding company, falling L70 from an official close 2 per cent higher at L2,850.

BRUSSELS edged higher in thin trading; the cash market index rose 12.95 to 5,140.75. Against the trend, Barco, the electronics company, fell another BFr54 or 3.7 per cent to BFr1,400. Carnegie International, the London brokers, issued a "sell" recommendation this week on fears that Barco would not achieve the improvement in second-half profit expected by the market.

In the steel sector, Cockerill Sambre rose BFr2 to BFr140 and Arbed added BFr20 to BFr3,035; co-operation talks between the two companies were said to be deadlocked.

MADRID saw the general index close 0.20 up at 231.70, after 233.57 at the end of the morning session. Fears of a poor inflation figure for October, due today, tipped shares off their highs.

Repsol fell Pta35 to Pta2,145 after announcing a 5 per cent rise in nine-month profits.

ZURICH closed with the Crédit Suisse index 3.6 higher at 476.2 in thin volume as profit-taking and the easier opening in New York eroded early gains of nearly 1.5 per cent.

STOCKHOLM achieved a rise of 1.8 per cent, the Affärsvärlden General index closing 15.4 higher at 874.7 in turnover up from SKr161m to SKr229m. Astra, the pharmaceutical company, accounted for roughly a fifth of total volume.

Astra "A" non-restricted shares closed SKr15 higher at SKr515 on hopes of a 30 per cent increase in profits in today's interim statement, which will lead a string of earnings reports from top Swedish companies.

COPENHAGEN retreated steadily after an early advance. The bourse index closed 4.41 or 1.3 per cent lower at 339.08 as Gulf worries resurfaced.

ATHENS rebounded after recent declines, with the general index up 29.92 or 4 per cent at 782.06; but ISTANBUL lost 2.5 per cent as its index closed at 3,457.73, down 88.45.

SOUTH AFRICA

A SHARP rise in the financial rand put pressure on Johannesburg share prices in the afternoon. The JSE all-gold index fell 32 to 1,355 and other mining shares also declined, although the industrial index rose slightly, up 3 at 2,713.

# Europe's chemical shares feel the cyclical squeeze

## The only protection has come from companies' oil or pharmaceutical interests, writes Clive Cookson

THE CHEMICALS sector includes several of Europe's worst performing stocks this year. The problems of Germany's "big three" – Bayer, BASF and Hoechst, the latter with results today – form part of the Frankfurt market's daily diet of news and investment argument; the same problems apply to the rest of Europe.

A cyclical downturn, followed by the Gulf crisis, has already cut profits substantially among bulk chemicals companies – and a further fall in earnings is expected in 1991. Specialist pharmaceuticals manufacturers, meanwhile, are regarded as a separate investment category.

Norsk Hydro, of Norway, is the 1990's only star performer in the bulk chemicals field and its strength, with third quarter net profits up 53 per cent, is due to its extensive oil reserves and rapidly increasing production, which have benefited from higher oil prices since the Iraqi invasion of Kuwait. The leap in oil profits more than compensated for a poor performance in petrochemicals and metals.

In other words, Norsk Hydro has been behaving like an oil stock, although most analysts still regard it as a chemical company. For other European chemical companies, which have small or negligible energy interests, the oil price rise has brought a painful squeeze. They are caught between a doubling in the price of naphtha, the main oil-based ingredient for petrochemicals, and an inability to pass on these increased raw material costs to customers facing a recession.

The leading Dutch chemical companies, Akzo and DSM, are typical, with third quarter profits down 26 per cent and 19 per cent respectively. Akzo's results were somewhat worse than expected and analysts fear that the company may cut its dividend. DSM did better than expected and its dividend seems to be safe. Akzo's share price performance has been considerably worse than DSM's, with falls from this year's peaks of 53 per cent and 37 per cent respectively.

Ms Jackie Ashurst, European chemicals analyst at James Capel, warns: "The third quarter results may not show the full extent of the damage to the industry and the fourth quarter could be considerably worse." Most companies did not feel the effect of higher raw material costs until September.

Mr Alastair Kilgour at BNP Securities comments: "The market has not yet fully discounted the bad news to come, including dividend cuts. The prices of chemical stocks as a whole have not reached their bottom yet, although they are not far off it. There could be another 10 per cent fall."

Mr Kilgour adds, however, that chemicals will be one of the first cyclical sectors to come back into favour when investors see some sign of an upturn in the world economy.

The worst performing large chemical companies have had to cope with corporate problems on top of poor industrial fundamentals. The striking example is Enimont, of Italy, where management has been distracted by the bitter and still unresolved dispute between its two 40 per cent owners, Montedison (private sector) and ENI (public).

The share price of Enimont – 20 per cent of the stock is available for stock market trading – is close to its low point for the year, currently suspended at L985 compared with a 1990 high of L1,670.

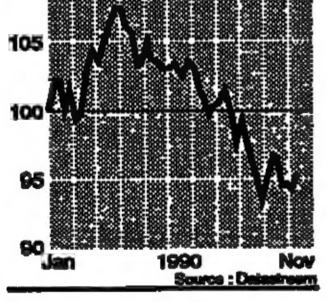
Montedison has performed even worse, down from a 1990 peak of L2,108 to L1,135; but some analysts believe that, when the Enimont ownership is eventually resolved, Montedison shares will rise substantially.

Rhône-Poulenc, of France, is a state-controlled company with quoted investment certificates, which have been hit hard by special factors this year. It has taken on a lot of debt to finance acquisitions, particularly in pharmaceuticals. Next year Rhône-Poulenc can look forward to significant earnings from Rhône-Poulenc Rorer, its new US pharmaceutical company hit by $300m of restructuring costs in 1990.

Pharmaceuticals are said to be virtually recession-proof, and some European chemical companies, particularly Swiss majors such as Ciba-Geigy, have relied on drug sales this year to cushion the cyclical fall in bulk chemical earnings.

### Chemicals

FT-A WI relative to the FT-A WI Europe ex.UK local currency, rebased




Source : Datastream

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock | MONDAY NOVEMBER 12 1990 — US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | FRIDAY NOVEMBER 9 1990 — US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX — 1990 High | 1990 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (77) | 123.83 | +0.6 | 93.55 | 100.74 | 95.31 | 105.71 | +0.6 | 7.49 | 123.13 | 92.81 | 100.95 | 95.23 | 105.08 | 158.31 | 118.98 | 148.48 |
| Austria (19) | 199.92 | +1.2 | 151.03 | 162.65 | 153.88 | 153.61 | +0.6 | 1.78 | 197.62 | 148.96 | 162.03 | 152.83 | 152.75 | 285.63 | 178.57 | 146.37 |
| Belgium (61) | 138.86 | +0.7 | 104.90 | 112.96 | 106.88 | 104.62 | +0.3 | 5.54 | 137.95 | 103.98 | 113.09 | 106.68 | 104.27 | 160.02 | 126.87 | 136.54 |
| Canada (120) | 124.64 | +1.4 | 94.16 | 101.39 | 95.93 | 105.23 | +1.1 | 3.79 | 122.91 | 92.64 | 100.77 | 95.05 | 104.13 | 153.61 | 121.24 | 149.52 |
| Denmark (33) | 254.95 | +0.4 | 192.60 | 207.41 | 196.24 | 196.78 | +0.1 | 1.51 | 253.90 | 191.37 | 208.17 | 196.35 | 196.66 | 277.62 | 234.05 | 213.35 |
| Finland (25) | 104.52 | +0.3 | 78.96 | 85.03 | 80.45 | 77.59 | −0.3 | 3.93 | 104.17 | 78.52 | 85.41 | 80.56 | 77.82 | 152.29 | 98.91 | 121.16 |
| France (122) | 138.86 | +1.2 | 104.92 | 112.97 | 106.89 | 108.38 | +0.8 | 3.79 | 137.28 | 103.47 | 112.54 | 106.16 | 107.56 | 168.85 | 124.98 | 130.72 |
| Germany (91) | 115.17 | +2.1 | 87.01 | 93.71 | 88.65 | 88.65 | +1.6 | 2.56 | 112.79 | 85.02 | 92.48 | 87.23 | 87.23 | 144.63 | 101.38 | 98.06 |
| Hong Kong (48) | 120.15 | +0.5 | 90.77 | 97.74 | 92.48 | 120.32 | +0.6 | 5.90 | 119.50 | 90.07 | 97.97 | 92.42 | 119.64 | 147.49 | 112.24 | 116.86 |
| Ireland (17) | 149.42 | −1.1 | 112.88 | 121.56 | 115.01 | 116.26 | −1.6 | 4.50 | 151.03 | 113.84 | 123.82 | 116.80 | 118.16 | 198.57 | 139.04 | 155.32 |
| Italy (91) | 81.23 | −0.3 | 61.36 | 66.06 | 62.52 | 67.58 | −0.8 | 3.64 | 81.50 | 61.43 | 66.81 | 63.02 | 68.15 | 109.28 | 80.87 | 87.49 |
| Japan (454) | 126.25 | +0.8 | 95.38 | 102.71 | 97.19 | 102.71 | +0.0 | 0.83 | 125.28 | 94.43 | 102.71 | 96.90 | 102.71 | 197.28 | 106.58 | 185.90 |
| Malaysia (35) | 193.54 | +0.2 | 146.21 | 157.45 | 148.97 | 201.18 | +0.2 | 3.12 | 193.21 | 145.63 | 158.40 | 149.41 | 200.87 | 250.89 | 182.96 | 193.72 |
| Mexico (12) | 540.32 | −0.2 | 408.19 | 439.57 | 415.89 | 1732.69 | +0.0 | 0.40 | 541.38 | 408.06 | 443.86 | 418.66 | 1732.85 | 561.41 | 324.53 | 288.87 |
| Netherland (41) | 134.19 | +1.6 | 101.38 | 109.17 | 103.29 | 102.34 | +1.1 | 5.25 | 132.09 | 99.56 | 108.30 | 102.16 | 101.20 | 149.03 | 127.58 | 123.97 |
| New Zealand (16) | 48.29 | −0.4 | 36.48 | 39.28 | 37.17 | 42.08 | +0.0 | 8.00 | 48.47 | 36.53 | 39.74 | 37.48 | 42.08 | 75.36 | 48.15 | 74.79 |
| Norway (27) | 229.33 | −0.1 | 173.25 | 186.57 | 176.52 | 179.99 | −0.5 | 1.72 | 229.46 | 172.95 | 188.13 | 177.46 | 180.87 | 276.79 | 202.34 | 172.91 |
| Singapore (25) | 152.65 | +0.8 | 115.32 | 124.19 | 117.50 | 120.22 | +0.7 | 3.67 | 151.39 | 114.11 | 124.12 | 117.07 | 119.36 | 209.24 | 147.24 | 157.34 |
| South Africa (60) | 164.66 | −1.3 | 124.39 | 133.95 | 126.73 | 132.08 | −0.6 | 4.12 | 166.86 | 125.77 | 136.80 | 129.04 | 132.87 | 251.39 | 151.90 | 166.43 |
| Spain (42) | 148.77 | +2.3 | 112.39 | 121.03 | 114.51 | 105.66 | +2.3 | 5.26 | 145.37 | 109.57 | 119.18 | 112.42 | 103.30 | 182.25 | 128.54 | 153.86 |
| Sweden (27) | 166.45 | +1.7 | 125.75 | 135.42 | 128.12 | 136.64 | +1.3 | 2.97 | 163.67 | 123.36 | 134.19 | 126.58 | 134.90 | 234.93 | 156.07 | 173.01 |
| Switzerland (58) | 92.40 | +1.1 | 69.81 | 75.16 | 71.13 | 71.81 | +1.1 | 2.99 | 91.38 | 68.87 | 74.92 | 70.67 | 70.81 | 109.77 | 85.00 | 85.82 |
| United Kingdom (299) | 161.16 | +0.3 | 121.75 | 131.09 | 124.03 | 121.75 | +0.5 | 5.69 | 160.70 | 121.12 | 131.74 | 124.26 | 121.12 | 176.18 | 139.87 | 143.06 |
| USA (533) | 128.87 | +1.9 | 97.36 | 104.85 | 99.20 | 128.87 | +1.9 | 3.82 | 126.46 | 95.32 | 103.68 | 97.80 | 126.46 | 148.95 | 119.08 | 137.96 |
| Europe (963) | 135.91 | +0.9 | 102.67 | 110.56 | 104.61 | 103.80 | +0.8 | 4.46 | 134.70 | 101.53 | 110.44 | 104.18 | 103.01 | 157.65 | 124.91 | 124.22 |
| Nordic (112) | 180.37 | +0.8 | 136.26 | 146.74 | 138.84 | 137.76 | +0.4 | 2.20 | 178.87 | 134.82 | 146.65 | 138.33 | 137.15 | 223.29 | 172.38 | 166.76 |
| Pacific Basin (655) | 125.64 | +0.8 | 94.92 | 102.21 | 96.71 | 103.06 | +0.0 | 1.24 | 124.69 | 93.99 | 102.23 | 96.43 | 103.04 | 192.75 | 107.82 | 181.73 |
| Euro – Pacific (1618) | 130.17 | +0.8 | 98.33 | 105.89 | 100.16 | 104.16 | +0.4 | 2.61 | 129.11 | 97.32 | 105.85 | 99.84 | 103.79 | 174.18 | 116.03 | 158.80 |
| North America (653) | 128.53 | +1.9 | 97.10 | 104.57 | 98.94 | 127.31 | +1.9 | 3.82 | 126.16 | 95.09 | 103.44 | 97.58 | 124.99 | 148.43 | 119.26 | 138.55 |
| Europe Ex. UK (664) | 120.01 | +1.3 | 90.66 | 97.65 | 92.40 | 93.12 | +1.0 | 3.58 | 118.43 | 89.27 | 97.12 | 91.61 | 92.24 | 145.62 | 109.94 | 111.83 |
| Pacific Ex. Japan (201) | 117.73 | +0.5 | 88.94 | 95.79 | 90.63 | 104.45 | +0.8 | 6.38 | 117.12 | 88.28 | 96.04 | 90.59 | 103.88 | 146.72 | 116.03 | 131.67 |
| World Ex. US (1810) | 130.56 | +0.8 | 98.63 | 106.22 | 100.49 | 104.89 | +0.4 | 2.66 | 129.51 | 97.62 | 106.19 | 100.16 | 104.51 | 173.77 | 117.12 | 158.63 |
| World Ex. UK (2044) | 125.80 | +1.3 | 95.04 | 102.35 | 96.84 | 111.39 | +0.9 | 2.73 | 124.19 | 93.61 | 101.83 | 96.05 | 110.36 | 162.00 | 115.37 | 150.92 |
| World Ex. So. Af. (2283) | 128.72 | +1.2 | 97.24 | 104.73 | 99.09 | 112.26 | +0.9 | 3.05 | 127.19 | 95.87 | 104.29 | 98.37 | 111.26 | 161.84 | 118.04 | 150.10 |
| World Ex. Japan (1889) | 131.61 | +1.4 | 99.43 | 107.08 | 101.32 | 117.58 | +1.3 | 4.17 | 129.81 | 97.85 | 106.44 | 100.41 | 116.03 | 151.59 | 124.31 | 133.30 |
| The World Index (2343) | 128.94 | +1.2 | 97.41 | 104.90 | 99.25 | 112.40 | +0.9 | 3.06 | 127.43 | 96.05 | 104.48 | 98.56 | 111.41 | 162.05 | 118.33 | 150.20 |

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